

PERCY MCNEIL



MINIMALISM

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AND
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MINIMALIST BUDGET

SIMPLIFY YOUR LIFE AND EXPENSES TO GET OUT OF DEBT,
SAVE MORE MONEY, AND ACHIEVE FINANCIAL FREEDOM



PERCY MCNEIL

Minimalist Budget

*Simplify Your Life and Expenses to
Get Out of Debt, Save More Money,
and Achieve Financial Freedom*

Percy McNeil

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Introduction

I want to thank you for choosing this book, '*Minimalist Budget - Simplify Your Life and Expenses to Get Out of Debt, Save More Money, and Achieve Financial Freedom*' and hope you find it informative in your journey to discover the art of a Minimalist Budget.

Do you feel like you have a lot of useless things lying around the house? Do you wish to minimize the clutter in your life and remain stress-free? Do you wish to adopt a minimalist lifestyle so that you can save money? If the answer to these questions is yes, then you have come to the right place!

Minimalism is a concept that deals with having less and being happy with whatever you have. It makes the process of decision-making easier thus allowing you to lead a simpler life.

It is estimated that humans make around 10,000 to 40,000 decisions per day, thus leading to decision fatigue. This mainly stems from the idea of having more to be happy, but if there are only a few things to worry about, then it all becomes easier.

If you are looking to develop a minimalist approach and would like to understand the various aspects involved, read on.

This book will help you understand what minimalism is all about and how you can use it to lead a fulfilling, happier life. This book will help you understand the different ways you can improve your life by accepting minimalism in your financial life.

Chapter One: The Proper Minimalist Mindset for Money

In this section, we will learn what minimalism is and how being a minimalist will help you make better decisions when it comes to how you spend your money!

Being a minimalist has captured the imagination of people trying to break their life down to the basics. The concept is now gathering steam and is considered to be one of the most popular trends in the world of saving money.

But not many people understand the true meaning of minimalism and what it stands for. Some assume it is nothing but having fewer things around; however, it is much more than that and it refers to a mindset or philosophy that you should keep up with.

What Is Minimalism?

Minimalism's one definition can be the idea of pursuing happiness. A lot of this philosophy stems from understanding what can make you happier as a person and following what you think is right. This usually means having important things in your life that make a difference.

The basic philosophy associated with this concept relates to understanding that having more does not mean it is better. If you feel like some things are unnecessary, then minimalism has to step in.

The world that we now live in teaches you to have more to be happy. It becomes important to filter out this philosophy. By choosing to be a minimalist, you can be truly free with yourself and your interests. You will have less of the distractions which only make you feel like there are many things to worry about.

Most of us tend to attach importance and emotions to how much we spend to buy something. We attach meaning to the things we have instead of understanding their true value.

We do not think if what we have is helping us fulfill our goals, and end up focusing on the amount of money we are making and if it is enough to buy us gadgets and other things in trend.

Another philosophy that minimalism abides by states that less can give you a lot more in life. You will be able to save more and do other things and appreciate them more. This includes traveling more and having more exciting experiences, without having to worry about too many things.

This can make you happier and teach you to be more independent in the long run. The philosophy of minimalism does not set any hardcore rules and yet, the basic principles serve as an outline to lay down some rules.

Another part of minimalism states that it is important to value yourself more and not the things that you have. If you have a hundred different things, then not only can it distract you but also make it difficult for you to lead a regular, stress-free life.

If you have just about ten items that are absolutely essential, then you will not have the pressure of choosing between many things of the same nature, and lead a carefree life.

Simplifying Decision-Making

As mentioned earlier, the human mind can make many decisions in a day that can lead to decision fatigue. In such case, it becomes essential to simplify things so that decision making becomes easier.

When it comes to making decisions, it is important to maintain a healthy mind and ensure that the brain is well nourished. If you suffer from mental fatigue, then you are likely to make the wrong decisions. This can lead to not being able to decide soundly and end up going for too much. This can go against the basic philosophy laid down by minimalism.

If you wish to make the best decisions at the right time, then it is important to conserve your mental energy. It helps to take inspiration from some people who lead a minimalist lifestyle.

Take for example certain CEOs, who are known to be minimalists. They would implement these concepts in all aspects of their lives including their homes and also the simplistic design philosophies at their companies.

Certain CEOs also wear the same thing every day because they don't want to waste their precious mental bandwidth on a decision as trivial

as what to wear for the day. Instead they want to keep the main vision in sight, which is to create the best product possible for their customers.

Minimalism will allow you to conserve your mental energy so that decision making becomes simpler, here are some things you have to do.

Identifying The Patterns Behind Decision Making

Most of us tend to live lives that are guided by habits. We tend to wake up at the same time daily, consume our breakfast, commute, get to work etc.

Having such a schedule may help lead a simpler life. This, however, does not hold true for many.

Even though it seems like a set schedule is being followed, there can be many things that a person does wrong such as getting up early to check emails and ending up with decreased productivity. Instead, focus on doing things that are more important such as getting in some exercise or making sure that you eat a healthy breakfast.

Observing The Situations

The next step is to observe the decisions that might be making you anxious. You have to learn from them and understand what these are.

It can be a certain situation or a decision that you are trying to make that can make it difficult and confusing for you. It can be stressful and lead to not being able to make the right decisions.

Shifting Focus

One philosophy associated with minimalism states that it is best to shift your focus and efforts to finishing things rather than looking for ways to finish them. For example, if your kitchen is messy and unorganized, then get down to cleaning and organizing it instead of looking for ways to tidy it. Simply taking an imperfect action matters far more than spending excessive time wondering about what the best way to do something is.

Basically, it is important to make decisions instead of spending a lot of

time thinking of what the best decision to make is.

Declutter

It is important to declutter and ensure that you organize your home and mindset. Get rid of things that do not belong there and go for the minimal.

Say you have a side table that has too many things. Get rid of the unwanted things and allow only important ones to remain.

Organize them in such a way so that it is easier to access them. This will help make the decision making process smoother and easier. Similarly, don't be afraid to extend this to other areas of your life as well.

Electronic Notifications

It is important to reduce the number of notifications that you receive. They can cloud your judgement and make decision making tough.

If you tend to receive non-stop notifications, then it will be difficult for you to make important decisions and get focused. Cut it down to the bare minimum so that you can focus on whatever is important.

Versatility

Going for things that are versatile can help a minimalist in many ways. Say for example, you have a laptop that can help you maintain two different systems, one dedicated to personal life and the other for professional.

This will make it easier to own just one laptop and not worry about having two. Similarly, having a cell phone with two sim cards - one for work and one for personal life can make it easier to carry just one cell phone.

Thus, going for versatile items can make it easier for you to make decisions and drive away stress.

Simplify Relationships

It is just as important to simplify relationships. There should be no

space for toxic ones in your life.

These can often leave you feeling depressed and make it difficult to make important decisions. Make a list of people you wish to have in your life and do away with the rest.

As you can see, by adapting a minimalist approach, you don't just conserve money but also your mental energy so that it is easier to make important decisions. The main aim should be to be productive and practical to promote minimalism.

Anecdotes

In this section, we will take a look at personal stories of how bad out-of-control spending habits can be and how implementing the tips here in this book, helped one of my friends' financial life to dramatically improve.

But before we proceed, you need to understand that no two stories are the same when it comes to minimalism and how people begin to realize its importance in their lives. To be frank, not many people think that they too can have a minimalist success story to speak of considering the amount of clutter that exists in their lives.

As mentioned earlier, a minimalist is someone who decides to have only a few important things in his life instead of having too many. This can extend to physical things as well as ideas and ideologies.

Having this can help make faster decisions and lead a clutter-free life. A minimalist mindset can be quite powerful and one that can set you free.

To be honest, it is easier to think about having a minimalist life than actually living one. To understand what goes into realizing the importance of minimalism and how it can be adapted, here is a personal journey to look into.

Most people tend to have a lot of stuff. Although nobody really is raised to be materialistic, most adults tend to hold on to a lot of stuff.

Society plays a big part in making people believe that having too many things can help them fit in better. Right from having the fanciest, latest cell phones to other electronic gadgets and sporting the latest fashion, people are pressured into thinking that they have to

have it all to be more acceptable.

They tend to work hard and earn more money just so that they can afford to have the ideal lifestyle that they have always wanted.

I know a friend who wanted it all right from a young age and started living alone right from the age of 16! She was still a student at the time but did not want to live like one.

She ended up working two jobs and by the time she was 19, she nearly had it all! But it wasn't until she met a few foreign students that she realized the importance of travel and how gathering experiences was more valuable than gathering things.

It was then that she decided to sell her things and travel the world and live a nomadic life. She narrowed her things down to the bare minimum and carried only what she could fit in a backpack, but this did not last long.

In no time, she began to shop everywhere she went, often returning with suitcases full of things she had bought from abroad. Her wardrobe started getting bigger and she replaced everything that she had managed to get rid of.

This again led to chaos, confusion and eventually unhappiness and loss of a minimalist mindset.

Today, after understanding what minimalism actually is all about and how she needs a change in mindset and not in physical aspects, she has realized that her unhappiness was a result of contradicting her ideologies.

Although she had managed to get rid of many unwanted things to be able to travel, she ended up replacing them with other things she bought from around the world. All this led to credit debt and yet, no satisfaction.

Add to it the pressure of cleaning and maintaining the different things that she owns and making sure they are well presented. All this can take up a lot of time and space in your life, making it difficult to make simple, everyday decisions.

It was not until she was 25 that she realized how minimalism should truly be implemented. She went through a few blogs on the topic and

decided to downsize her house, wardrobe, and life in general.

Going through success stories of people who had implemented minimalism in their lives helped her understand how she can implement the same in her life. Just the fact that many people were intentionally choosing to have fewer things in their lives made it possible for her to realize the importance of being able to do more and gather experiences rather than hoarding things.

In doing so, she was able to save on quite a bit of money. She no longer had to work two jobs and could focus on just one that helped her make enough money to buy the essentials and still be able to save. She was able to travel more and spend more time with family and friends.

It was not as easy for all of this to come about. She had to make many tough decisions for all this to be possible.

It is quite difficult for a person to change their mindset and adapt philosophies that are tough to implement. It is not just the big decisions but also small ones that matter, such as getting rid of unused cutlery that can make it extremely difficult for a person to implement minimalism.

Although minimalism as a concept sounds easy to adapt to, it can have several intricacies that need to be understood and implemented to successfully embrace it.

It might not be possible for many people to implement minimalism in their lives, especially if they have a lot of things to declutter. It might take them anywhere from six months to a year to be able to make sense of the things that they have and understand that they do not need so much to lead a comfortable life.

One of the most important changes to bring about when trying to be a minimalist is to think of future goals. It is not important to have fancy things if you wish to save more. Fancy things will not give you the same pleasure as traveling the world or meeting new people or making memories with others.

What Is Life Like As A Minimalist?

Minimalists are common people who have realized the importance of having just a few things in life and being content with it. These are

people who do not count their possessions and only have a few.

For example, they might just have one thing that can serve a purpose as opposed to many different things. It is important to replace the thing only if it is no longer usable.

Another example could be if you have one pair of shoes to go out and one pair to use inside the house, you have to replace them only if they are no longer salvageable and not go for many shoes at a time.

The same goes for office supplies and other things that can be used fully before being discarded. If you have too many unnecessary things, then they will be wasted.

It will also take up a lot of space and make it difficult for you to organize it.

Try to organize your house and get rid of excess furniture. It is best to own just one piece of furniture that can serve the purpose as compared to many different pieces.

Say, one bookshelf, one set of couches and one center table for the living room can make maintenance simple and the room less cluttered. If possible, downsize your house and go for a smaller space that serves the utility.

Minimalism can change your life forever. Be it your lifestyle choices, the way you save money to the funds you set up for the future, you will be able to organize your finances and life as a whole.

If you happen to have debt, then you will be able to pay it off in a better way. You can enjoy life and not worry about things.

You can take more holidays and spend time with family and friends. You will not feel as though you are being made to do things just so you can fit in better.

You will only do things because you wish to do them. You will be free from pressure and the need to buy things just to be happy.

When you need lesser things, you will feel less tied and down and instead you'll feel much more free. You will be able to dream big and go for things that were difficult to attain before.

You can have financial freedom, peace and feel good about doing something you thought was impossible or difficult to do.

Understanding Emotional Spending

How a person spends their money is more or less a personal decision. That being said, it is important to be able to understand what emotional spending is and identifying the signs.

To put it simply, an emotional spree can be any type of shopping that is prompted by emotions. If you tend to do this often then it can lead to issues. If you spend too much time shopping that is overridden by emotions then you become an emotional spender.

You might not always want the things that you buy and end up buying useless things that have no true value.

Emotional spending is now viewed as a compulsive disorder where a person shops as a response to their negative emotions to feel good. This is especially prominent when the person does not set boundaries and gives into emotions while spending.

It is important to understand that emotional spending might not be a signal for immaturity or being too irresponsible. It can be a compulsion that is triggered off by emotions.

People might not have control over the shopping, as with their emotions. This is especially easier in a society that prompts us to constantly buy things to be happy. This can be deep-rooted and difficult to undo.

One of the best ways to deal with emotional spending is by identifying the different signs that are associated with it. These signs are indicators that there is more to spending habits than just treating yourself every now and then to something special.

If you are able to identify these things, then you will be able to find effective solutions for it. Do not panic or blame yourself if you find that you have some of these signs.

Consult a friend or a financial advisor who can help you undo some of the habits that might be leading you to spend emotionally. Let's cover some of these bad habits now:

Instant gratification

It is not a secret that people like getting new things to feel good. Instant gratification can end up being a big part of emotional spending and a means to inspire people and make them happy about life in general. People feel that not shopping for gratification will leave them unhappy or dissatisfied. This will prompt them to shop more and instantly feel good about life as a whole.

Shopping to escape

Shopping can be a fun activity that people engage in, be it in a mall or an online store. It tends to be a pleasurable activity that can distract and escape from everyday stress. It can also help a person escape from guilt or hurt and serve as a band-aid that will only try to cover up the real issue at hand.

Competition

In this day and age where competition exists in all walks of life, you might feel like you are part of a shopping rat race. You feel like you are competing with a lot of others to buy the latest things that can make you happy in life. This can be quite unhealthy, as it will end up burning a hole in your pocket just to fuel your pride and self-esteem.

Transforming

Many people tend to buy things just because they wish to feel anew. Be it a new wardrobe or a new hairstyle, changing yourself to look different can make you go shopping. Some people also tend to change their houses just to be able to incorporate new things. They think of it as an instant fix that can help them change the way they feel, look or live their lives.

Buying and returning

Some people instantly buy what they like online and then change their mind about it even before it arrives. This might be a sign of emotional spending as the purchases are made impulsively without much thought put in. Such impulsive purchasing can lead to a lot of time and energy wasted.

Celebrating yourself

Some might end up spending money as a means to celebrate themselves. Be it buying fancy gadgets or clothes or treating themselves to a fancy meal at an expensive restaurant, some people

might end up indulging in these activities just to celebrate their lives. This just means that they are unable to control their spending habits and they give into emotions quite easily.

Money stress

Some people tend to engage in emotional spending when they are stressed about money. If there is a financial gap, then they will feel like spending on things that are on sale to be able to save money on them, but they will end up spending more than they normally would on those things. There will come a time when they will not be able to control their spending and end up going into debt. This will lead to further stress.

Do not worry if you have identified any of the signs here, as it is easy to undo emotional spending just with a little effort. Right from adapting small strategies such as unsubscribing from push notifications from shopping sites and not visiting malls during sale season can help you put a leash on emotional spending.

Setting Up A Minimalist Budget

Budgets should not be viewed as mere bill payment mechanisms and should be used to control how much money is spent in a month. Not many people use budgets to set aside money that can be used to buy just the essentials and end up sending a lot.

One good minimalist budget strategy is known as the 50/20/30 strategy. It is a simple philosophy that makes use of simplistic principles that are guided by a budgeting system.

If you wish to establish a balance between your earning and spending, then this system can pay off.

The 50/20/30 rule can teach you to start saving right from a young age and make it simpler to make minimalist budgets all your life. You are always allowed to make a few adjustments here and there as long as you stick to the basic rules.

The core concepts are simple to understand and adapt. The budgeting system will ensure that you establish financial grounding.

Here are the different rules of the 50/20/30 budgeting system explained.

50% of your income is set aside for essentials

The very first rule to abide by states that you have to set aside 50% of your income for essentials. This can be an absolute necessary part of life if you wish to live as a minimalist.

The first step to achieving this would be to consider the different things that can be classified as essentials. Not everything will be essential and only those things that you cannot spend the entire month without will be considered essential.

These will depend on where you live and the things you need to live comfortably. In most cases, these expenses will be the same and include food, transport and utility bills.

The percentages might differ based on what and how much a person needs. It comes down to the total sum based on the individual costs.

Say for example, some people might live in a small apartment but commute long distances. Some might live in a bigger apartment but walk to work. In this case, one person would have to have a larger budget for transportation and a smaller budget for his living expenses. And for the other person the opposite would be the case. He would need to account for a larger living expense and a less expensive transportation cost.

20% of your income is set aside for savings

The next step is to set aside 20% of your income for savings. It is extremely important to save or have an emergency/debt/future fund in place.

You have to add money to these accounts on a regular basis so that you can secure your future, but you only have to add money to this fund after you have set aside 50% of your income for essentials.

For this to work, it is important to take this fund seriously. You must ensure that 20% of your income is calculated and directed towards this fund.

Again, the amount might differ month to month based on how much you are contributing to the previous fund. You are allowed to tweak it but not allowed to forgo it.

You might tell yourself you will forgo it one month and contribute a little extra the next month but this might not work out as you will end up making it a habit. Remember that it is never too early to start saving for your retirement and the earlier you start the better off you will be.

30% of your income is set aside for personal use

The next and last category is about setting aside 30% of your income for personal use. Some financial experts might say that this is an unnecessary category but it can be quite difficult to completely eliminate certain expenses that come up every now and again.

It is fine to spend just 30% of your income on certain things but can be reduced if you are able to control temptations. Any remaining money can be contributed to the funds from the previous category.

Some of these items can include cell phones, parties, cable television, new clothes or shoes, eating out at restaurants, etc. You can decide on things that are important and those things that can wait.

We're trying to live more of a minimalist lifestyle here so only get new clothes for example if you really need to. Don't buy new clothes simply because you have money leftover in the budget for it. Use your extra money wisely and understand that you might not need to use 30% of your income for personal use. If that's the case, then don't be afraid to save more than 20% of your income per month.

You really don't want to give in to pressure. Buy only those things that are absolutely necessary.

For example, it is a good idea to indulge in some fitness-related aspects such as joining a gym or buying gym equipment, etc.

Your personal expenditure can also include buying gifts for others, but remember that you are only allowed to spend 30% of your earnings and not anymore.

It might seem like a tough task at the beginning but it will get progressively easier as you go. Establishing these basic habits right from the beginning can help you reap the benefits for the rest of your life.

You do not need a high income to be able to make these basic

contributions. Even those who have just started working can adopt this plan.

You can get the percentages right just by following a simple budget. Repeat the budget every month and make any minor changes based on the level of expenses.

With time, you will be able to save more money and put it to good use. The percentages can provide an ideal framework for you to base your monthly budget upon.

You can determine what is essential for you and how much should be allocated for the different expenses. Consider taking your spouse's help and get them to follow the same budget.

You can save more together and contribute a bigger sum for your retirement fund. You can also find software easily that will help you allot the money according to the 50/20/30 rules.

Society And Minimalism

In this section, we will take a look at how society trains us to be consumers and makes us think that more material possessions will make us happy. Unfortunately, the pressure to fit in makes us give in and eventually you get stuck in an endless loop of spending.

Right from pop songs to make up ads, consumerism is often a mainstream tool used by society to make us think that we need more to be happy. It can be identified as a poison that makes us think we can be happy but can end up eroding our core beliefs.

Consumer behavior theorists understand that motives such as envy can make people go after excess consumption. This can be quite insatiable and often difficult for people to control their spending.

There have been many studies on consumerism over the years and something known as the Easterlin paradox has been identified which says that increasing consumption does not make us happy.

It states that even though rich people in wealthy countries were happier than the poor folk, they were no happier than wealthy people in poor countries. This means that happiness was based on relative income and how people were positioned financially.

But this theory has been questioned over the years especially in 2006 when a comparative study examined people and their happiness and found that those in sub-Saharan Africa were not as happy as those in India and those in India were not as happy as people in Europe.

However, these results could come about because of the fact that we still need certain necessities to be happy. If you're struggling to pay for basic necessities such as shelter and food, then that would undoubtedly affect your happiness.

Happiness is probably the last thing on your mind at that point, you're more worried about where your next meal is going to come from! However, once you reach a certain income, using that extra money to buy more material possessions shouldn't do much to increase your happiness.

In most cases, people's understanding and perception of products and services play a big part in consumerism. Society makes us believe that it is important to keep up with the trends and adapt to things that are regarded as cool.

Right from fashion to electronics, there can be a lot of things that people think should be included in their life as it can make them feel happier. Say for example, a company releases a new model of their latest phone.

People who already have the latest one will feel like they need the next one or they will be left behind. Even if it serves the same functionality, people will buy it just to have the latest model.

As per research, just the thought of buying something that is "trending" or "popular" can make people quite excited. It sparks a pattern in the medial prefrontal cortex and leads to activities that are the same as when someone receives a compliment.

People tend to build internal pressures that make them want to go after things that are perceived to be cool or trendy by society in general. They tend to build a materialistic expectation and try to go after their needs just to take pride.

It is difficult to understand how products and services can impact our minds and compel us to buy more based on social impulses. Pretty much anyone can influence us into buying certain things that make us feel as though we belong in society in a better way.

This is better known as social selection. Social selection refers to a deeply ingrained need in us that makes us want to showcase our value in society.

It helps people showcase their worth and status in society. Many aspects of life can be influenced from what we wear, to what we eat and how we present ourselves.

This aspect is not new and has existed from a very early time point. Back in the day, people used to find rare items such as shells to make necklaces to use them in a symbolic way to signify their position in society.

Today, right from cars to lavish lifestyles, people tend to indulge in luxuries to showcase their stand in society even if there is no need. Most of the things that people buy are based on information that is processed in the medial prefrontal cortex where things are sorted out based on judgment and self-esteem.

It can create a need to receive respect from society and influence self-esteem. All this goes to show that consumption helps people tap into basic needs for social esteem that can drive them to create social groups that share common values and beliefs.

It indicates a pattern of consumption that helps people tap into their own beliefs and needs to fit into communities that society has created. Most of the products that are available are social signals to consumers.

Right from cars to clothes to phones, each product is consumed based on a set pattern. A majority of the products that are consumed these days impact our thought processes and influence our social identity.

Having certain things can boost our happiness and reward us in different ways. As per experts, some people place self-esteem above some basic needs.

It is just human nature to be respected by others to fuel self-esteem. Consumerism can tap into people's reward systems and make them go after things just to feel rewarded.

Consumerism can thus be summed as a way of converting earnings into a lifestyle that can help to engage in shopping for things that we assume can help us be better accepted in society. It can help us feel

respected and valued by others.

Thus, how much we earn will not be impactful if it is not used to buy something of value that can place us above others in society.

The question stays the same--can we be happier if we spend our money on the right purchases? As mentioned earlier, buying life experiences over material possessions can make us a lot happier.

People who buy for experiences such as a movie ticket or a zoo ticket are much happier as they will be able to experience them. They will also have a better societal connection and experience increased satisfaction.

This is seen as an extension of the basic need theory where food, shelter, and clothing are considered to be the basic necessities of wellbeing.

In a study, participants were made to write about their recent purchases and answer questions based on it. The ones who had spent money on experiential purchases regarded their money spent on experiential purchases was better than what they had spent on consumer goods.

This indicated that experiences could help induce long-term satisfaction. It is better to “purchase” experiences as compared to material goods and services; society makes us believe that having more things can make us happier when this isn’t the case in reality.

Mentality About Money

We grew up learning that money is scarce and hard to come by and we need to shift to an abundance mindset when it comes to money. Most of us have held onto that belief that money is scarce and we’ve never questioned it.

Many tend to believe that what was taught to them as children holds true for life. A scarcity mindset stems from lessons given to children and some affirmations that make them believe money is scarce.

It is important to break free from this mindset and move to an abundance mindset.

Some affirmations that are negative include “There is never enough” “I’m not good enough” “Money is a scarce commodity” etc.

These can lead to beliefs that are quite limited in nature and can make people get stuck in a scarcity loop. This usually arises if you believe that money is not in your control and are discouraged to give up going after it.

In fact, some might not even try to go after making more money. People will end up saying “I do not make enough money and cannot save.”

This is the wrong mindset to have, as it can be inconclusive. You must focus on positives and believe in them to create opportunities for yourself for the future.

If you end up believing that something is not possible then you will not want to spend your energy going after it. Many people tend to think that they can only live paycheck to paycheck and that struggling with money is something they just have to deal with.

Those who have this mindset will not live comfortably as they will always be stressed and worried about money. They will not be able to recognize their full potential.

But there are ways in which you can be financially free even if you're in a tight financial situation right now. It all starts with your viewpoints on money and keeping a positive attitude.

You will, however, remain skeptical of this if you have already made up your mind and aren't willing to change it. It will take quite a bit of effort from your end to undo your beliefs and believe that you can earn money and afford the life of your dreams.

All you have to do is develop an abundance mentality that teaches you how money is not a scarce resource but an abundant one. You have to start believing that you can save money and afford the life of your dreams.

The abundance mentality will help you remain financially free. You have to believe in it to be able to achieve it.

It is this belief that will help you take appropriate actions and make you go after things that you thought were impossible to attain. This mindset will work in your favor if you give it time. You must be persistent and starve off negative thoughts that can send you off track.

Many people start off on the right foot but end up going off track as soon as they are pressured into thinking that they are incapable of doing certain things. They allow challenges to deter them and stop chasing their dreams.

As soon as it starts to look tough, they begin backtracking and decide it is not their cup of tea to pursue. They remain stuck in a backward thinking and do not take action.

To help you through this, there are some limiting thoughts that you have to conquer. Doing so can help you negate your self-doubting beliefs and help to shape your positive belief system.

You will learn the ways in which you can shape your identity and develop an abundance mentality that can help you secure your future.

Here are the self-limiting beliefs that you must avoid subscribing to.

Money is a scarce resource

This is one of the most common self-limiting beliefs that people tend to carry. It is a fear that makes people believe they will not have enough money.

It leads to the scarcity loop, making it difficult for many to step out of. One of the best and easiest ways to break away from this is by curbing your spending habits, especially on emotional shopping.

At first, this might seem a bit cruel or like deprivation from what you love doing most but the first step towards developing an abundance mentality will be by controlling your spending habits. Remember that you have to change your belief system as a whole and not simply cut up your credit cards.

You have to work on your belief system and change it. You have to tell yourself that you are capable of achieving financial freedom and really believe it.

If you end up developing a scarcity mindset then you will feel like you will never be able to put a leash on your spending habits, but do not think that you have to torture yourself and live life like a complete penny pincher. That would lead to unhappiness.

You have to be able to build a wealth resource for yourself by saving

money after spending a small amount on buying things you like. The need of the hour is to do away with needless shopping trips and track where your money is moving.

You will feel at peace knowing that you are saving money for the future and also have enough to spend on things you enjoy and get a lot of value from. You will slowly begin to realize where to cut down and know where to put your money.

It will come naturally to you to recognize where your money will do well and what will end up being a dead investment. The abundance mentality will teach you to save more and spend wisely.

In fact, you will be deprived of your guilt and break free from the scarcity loop. If you feel like you do not have enough, then you will make the effort to save more.

You will realize that a permanent solution lies in changing up your belief system for good. It is the ideologies outside your limiting thought processes that will help you follow on the path of abundance.

Once you realize your financial wellbeing is directly related to your positive thought process, you will begin to save more and showcase personal gratitude.

The right abundance mentality to have for this belief is “I am thankful for the paychecks I receive.”

This loop can help you establish a positive approach towards your financial wellbeing and allow you to accept the wealth you already possess. Regardless of how little you have saved currently, you will begin to think that you will be able to save more and have abundance.

For you to understand this, you must think of a situation and take some time to clear out your mind and relax. Draw in a few deep breaths and think of the place where you work.

Imagine that it is closing down and you do not have a job. Imagine that all your savings have now disappeared.

You have lost your house and your car and most of your belongings. You also have the support of your family and friends and community as a whole.

In such a situation, you will work that much harder to gain back everything that you have lost and establish normalcy. As you know, you haven't lost any of this yet and must make the same level of efforts so that you will be able to save more for future emergencies or surprise expenses.

Time is a scarcity

Another scarcity belief that most people have is that they assume time is scarce. This can be true in cases where people have too many responsibilities such as managing work, spending time with family, friends, children, taking care of domestic responsibilities, etc.

All this can be quite overwhelming and make it tough for you to get it all right and often feel pressed for time. This can mount into a pressure that can put you in multi-tasking mode making you juggle too many things at once.

As per experts, 97% of people are not good at multitasking and it is best to remain focused on just one thing at a time.

When it comes to balancing out your personal life with your professional life, working on a schedule can make a huge difference. If you allot specific times for each task and do not let them interfere with each other, then this is the best way to do it.

Say for example you have to tidy up the garden and it has been long overdue. You also have a bunch of emails waiting. In such a case, if you have a dedicated time to perform home chores and not be disturbed by office work then you will not feel like time is a scarce resource.

You will be happily absorbed in tidying up the garden and not bother about going through your emails. Once you are done, you can peacefully go back to your emails.

Thus, the right abundance mentality needed to counteract this specific scarcity mentality is "I am thankful for my spare time." This will let you believe that time is not a scarce resource and you can have extra time on your hands to carry out different activities.

You have to shift your thinking towards a positive mindset and be grateful for everything you have, especially abundant time. This will help you feel more relaxed and finish your job in a better manner.

There will not be any apparent pressures and you can have more. You will be able to do your job well and finish things on time. Not only will you have more time to work and save, but you'll also be able to establish stronger relationships.

Money is evil

There are many people who believe that money is the root of all evil. This thought stems from the fact that people believe earning and spending money is a vicious cycle that is tough to break away from, but it is important to understand that moneymaking and saving is an important habit to have.

It is never too late to realize this as you can start saving from any age. This kind of mentality can go against you and lead to a negative mindset.

You have to be able to develop a positive one that can help you think that money is a good thing that helps you live comfortably. It will also help you in the future to go after your dreams and fulfill your wishes.

Once you are aware and accepting of this, you will be able to live a comfortable life without the stress of being financially strapped. It is about making a conscious effort to understand that money can be abundant and help you attain security for the basic necessities of life.

Your richness does not have to stem from your bank balance alone but also from the experiences you have gained by using the money to travel. It is essential to look at money as a means to live comfortably and to also be able to provide for your loved ones.

It can take some time for you to undo this thought process but you will be successful with time.

The right mindset to counteract this belief is "I am thankful for the money I earn." This can be a simple yet effective statement and can lead to a positive outlook.

An example is to develop a mentality that can help you view money as a positive resource that will help you live life to the fullest. As you can see, there are quite a few limiting beliefs that you have to undo to accept an abundance mentality.

These beliefs can often stress you out and panic you. You will feel as though you are unable to pay your bills or save money, but by being

positive and countering the negative thoughts with positive affirmations, you can successfully undo the negativity.

Your financial situation will start to look up and you will be able to do more with your money instead of spending it mindlessly. Remember that you can control how you think about money and the path you choose to walk on.

Only an abundant mindset will defy a scarcity mindset. You will still encounter scarcity roadblocks on the way and will have to be aware of the hurdles.

Effort should be made to move past them to reach your destination. The scarcity pathway can lead to experiences where you will not be satisfied with what you have or be able to live a fulfilling life.

Here are seven tips that can help you undo the negative mindset and develop a positive one.

Thinking right

There is a big difference between thinking big and thinking small. If you have an abundance mindset then you will be able to think big. It has to be ingrained in your DNA to do so. Scarcity mindset can make people think small and in a limited capacity. This can lead to roadblocks and curtail achievement.

Lots versus limited

If you develop the abundant mentality, then you will understand that there are many things in the world that can be used resourcefully. You will be able to come out of a lacking mentality where you feel like everything is a limited resource. You will stop feeling like opportunities are limited and there is an abundance of wealth, love and relationships. The more you recite positive affirmations, the better off you will be.

Joy versus regret

People who have an abundant mindset will always be optimistic and happy. They will laud their achievements and success. On the other hand, people who have a scarcity mindset will be competitive and not appreciate their success and dwell on their loss. They will resent other people's achievements and not be happy with their own.

Accepting versus fearing

Those with an abundant mindset will accept change as opposed to fearing it. They will look at it as an essential part of life and accept their change. They will appreciate the changes that come their way and wait for positive outcomes. Those with a scarcity mindset will spend time complaining and not accept change.

Reactive versus proactive

Those who have an abundance mentality will lead a proactive life. Instead of waiting on things, they will remain ready to take or implement the right course of action. They will have a strategic plan in place that can be easily implemented at the right time. Those who have a scarcity mindset will be reactive and react to a situation instead of being ready or proactive.

Always learning versus know it all

Those with an abundant mindset will not be satisfied with the knowledge they have and will always be on the lookout to learn new things. Their thirst for knowledge will be never-ending, but those with a scarcity mindset will not be enthusiastic to know new things and believe that they know it all.

Correct assessment

Those who have an abundance mindset will be able to assess what is working for them and what is not. They will differentiate between the two and work on what is working and ignore what is not. Those with a scarcity mindset will not accept what is not working and try to focus on fixing it instead of focusing on what is working. This can lead to negative emotions and anxiety. Thus, the focus must shift to an abundance mentality.

Chapter Two: Taking a Hard Look at Your Finances

When you wish to take on the minimalist lifestyle, you have to ensure that you are fully aware of your finances and the direction in which they are moving. Here are some things to look into.

Why Do People Ignore Their Finances?

One of the most prominent issues related to finances is that most people tend to ignore theirs. It is understood that going through finances and money matters can be a stressful activity.

Most adults stress over their financial wellbeing. It is estimated that 70% of people feel insecure about their finances.

They tend to feel anxious and refuse to acknowledge their financial situation, but this is the wrong approach to adopt, as it will only lead to more anxiety in the long run. It is always a good idea to not ignore money matters and make sure you manage the debt.

If you happen to be someone who is struggling to face your finances or are in denial and wish to take quick action, then here are some warning signs to identify and deal with to get back on track.

Warning Signs

Here are some warning signs to identify if you feel like you are ignoring your finances and what you can do about it.

- You try to get rid of money and financial thoughts
- You try your best to divert the topic
- You avoid going through credit card bills and bank statements
- You aren't aware of your credit score
- You don't know your true worth

If you happen to have any of these, then it will indicate you are unable to accept your financial situation.

Thinking And Attitude

Most of your belief system and attitude stems from your belief about money and what you are taught from a young age. Most adults tend to look at money based on what they were told from a young age.

They remain in denial and avoid financial talk. They base their beliefs on things their parents teach them.

It can be difficult to break free from that current belief system and reverse a scarcity mindset. Most people are simply embarrassed by the debt they owe and allow their bank statements to pile up.

It is important to move past this mentality and take the right steps towards achieving financial well-being.

Taking The Right Action

It is important to take the right action by keeping track of your income. If you wish to track money that is going in and coming out then you have to look at your spending.

You will be able to assess your expenditure and look at where you should curb your spending. Having a spending plan can always help you. It can be a budget that you can follow to stop yourself from feeling deprived.

You must know where to hold back and where to spend. If you go to parties often, then you can cut back on some of them and add the money to your savings account.

If you dine out more, then you can save it by cooking more at home. One good way of tracking your expenses will be by using automated services such as apps and websites.

They will have a premade planner or table where you can fill in details. You can also give your bank instructions to transfer a certain amount into your savings account as soon as your paycheck comes in.

Automatic reminders can be put in place to remind you when a bill is due so that you do not overshoot the payment date. You will also find apps that can track your expenditure and help you meet your expenses in a better way.

Getting Professional Assistance

It will not be an easy task to undo your belief system and you might end up ignoring your financial standing to a point where you will not be able to control your spending. In such a case, it is best to approach a financial advisor for assistance to change your behavior. You will be at ease knowing that a professional is handling your finances and you will not worry about running out of money.

Facing Your Financial Situation

It is always tough to face your financial situation and the issues that can crop up. Nobody likes to deal with them or face the problems that come their way.

They often feel negative and unable to move forward. Despite placing focus on the positives, things can get overwhelming.

If you ask a person who is financially sound, then he will tell you that it took him several years to hit the winning formula and getting there was not easy. It can take decades, if not years, for people to establish financial stability. It requires a lot of dedication and doing the right things.

Oftentimes, people tend to brush their problems under the rug to ignore them, but this is the wrong approach to adopt. It can be less stressful to address issues then and there as compared to stalling and having to deal with them later.

Assessing overall debt and managing it can always be better compared to worrying over how much you owe. It will help you take quick action and work on paying off debts at the earliest time possible.

It will also put you in the habit of looking at your financial statements from time to time to solve your debt issues. If you think you are better off ignoring your finances instead of addressing your issues, then here are four things that will change your mind.

Debt

If you end up ignoring your finances, then you will end up having debt. If you do not track your spending and not know where it is moving, then it can lead to debt.

It does not matter how much money you are making. If you do not

track its movement then you are sure to invite unnecessary charges and spending.

This is especially true if you own credit cards. You might think you are on top of all the transactions including the utility bills and other payments you make, but it is important to know about the other minor transactions and spending that comes your way every month.

You might be spending quite a lot on clothes, entertainment, groceries, etc. Knowing how much is being directed towards these can help you know where to cut back and stop overspending. You will be able to focus on both short-term and long-term spending.

Savings

It is extremely important to add money to the bank, especially in this day and age, where things have become quite expensive. Even if you might not need money immediately, you will in the future.

You have to be prepared for it and add enough money in the bank to help you in the future. Having a savings plan or goal can help you save money in case of an emergency that happens in the future.

If you end up ignoring your finances, then your debt will accumulate and you will have to keep redirecting money towards repaying it. It is best to set up a savings fund instead so that you can successfully repay debt and save money.

Bear in mind that you can never manage things that you do not measure. You have to know for sure where money is going and how much of your earnings are being spent.

You need to have an emergency fund so that you know you are saving money for future use.

Credit score

If you end up ignoring your finances, then you are at risk of paying your installments late. You might end up inviting fines in doing so.

You might also have overdraft accounts that can invite penalties. Thus, you must look at your credit score like a financial report and ensure that it is under control.

If you end up having a bad credit score, then you will not be able to borrow money easily. In fact, it is not just credit companies that might be interested in your credit score but also potential employers who would like to assess your creditworthiness.

Thus, it might be important to know how you stand financially and whether you have a healthy credit score. Here are some things to pay attention to if you wish to maintain a healthy score.

- Make your payments on time and pay them off fully
- Maintain a lower credit utilization rate or use about 30% of your available credit
- Apply for a new credit card only if absolutely necessary and try to have just one at one time
- Have all your old lines of credit open even if they are not being used anymore

Big-ticket items

If you are unable to track your finances or are running away from doing so then it can end up becoming an issue when you try to buy big-ticket items. You might not be able to attract a good loan score and be in a position to access borrowings.

Even if you are able to do so, then you might not be given the best rate of interest. You will have to shell out more money on a monthly basis to repay your loan and this will create a new financial pressure.

You might not be able to afford other things and your finances will end up suffering. Your goals will be harder to achieve and fulfill.

Remember that money should be viewed as a tool that can be used to establish financial stability. It can help you lay down the groundwork for the future.

Ignoring your finances can end up pushing you back and lead to you committing errors. The best thing is to get organized early to understand how money works and align your expenses with your earnings.

Prepare a plan of action to start repaying your debt at the earliest time possible so that you can save more. Remain motivated and inspired to go after your goals so that you can achieve financial stability.

It might seem stressful and overwhelming but it has to be done. Paying attention to your finances can ultimately help you avoid confusion and be on the right track.

Thus, it is best to educate yourself on this topic as much as possible so that you can start becoming financially sound at the earliest possible time.

Tracking Your Money

One of the best ways to know where your money is spent is to look at your past bank statements. Take a look at what things were wise purchases and what things could have been done without.

If you wish to come up with an effective budget that will allow you to repay debts and save money then go through your financial statements. Not many people are willing to assess or interpret their statements. And some people are not sure how to interpret their statements.

They often wonder why they are not left with enough money towards the end of the month despite everything being in order. You are scared to find out about it and do not make the effort to interpret the statements.

Do not worry, as you are not alone. There are thousands of people out there who refuse to learn how they can interpret their bank statements, but once you do, you will be able to modify it so that you can come up with a budget and allocate the resources correctly.

The biggest nudge will come your way when you realize you are unable to put aside enough money but do not worry, as you will be able to do so once you figure out where you are going wrong and the changes you need to make.

You can be debt free in no time if you take the right steps. It is necessary to not give in to the stress of knowing you do not have enough resources at hand.

If you allow anxiety to take over then you will start running away from your financial situation. Once you go through this process, you will feel freer, and you'll have a better financial and mental situation.

How To Analyze Your Spending

When you wish to look at your spending from the previous month, the first step is to gather the bank statements and receipts and enter it into a spreadsheet. Once that's done, you have to analyze it to assess where your money is going.

If you think this is a tedious process, then you can consider making use of apps and websites that allow you to manage your bills and receipts. You will be able to track all your financial movement using just one app or website and can do away with the hassle of recording things manually.

Most of these will be free of cost and help you look at previous expenses and also start recording current ones. Look up the best tool to use that can be easy to use and help you assess your expenditure.

You can also import any files that you have already made so that it is easier to add in the data. It is easy to move the information into the different categories that are mentioned.

There will be many types of software that can allow you to understand where the bulk of your payments are moving. It can also tell you whether you are saving money and if it is being redirected into the right accounts.

But remember to double-check everything even if you are using efficient software. Check the categories and make sure all the numbers are right.

You can tweak the categories and add some of your own, but do not overcomplicate it and maintain an easy table to follow. If you add in too many categories, then it can end up confusing you and you might make errors.

Break it down to the basics and try to combine two or more things into a single category. There can be individual budgets that can be assigned to different categories such as lentils, meats, eggs, and dairy under groceries. Here is a list you can consider following.

Income

Mention your full income here including your salary and any passive or secondary income you might be earning.

Expenses

Auto & Transport:

- Gas & Fuel
- License/Registration charges/fees
- Parking fees
- Service & Parts repair fees

Bills & Utilities:

- Garbage/Recycling costs
- Internet charges
- Mobile Phone charges
- Utility bills

Entertainment:

- Amusement charges
- Pocket Money

Financial:

- Life Insurance charges

Food & Dining:

- Bulk Meat expenses
- Groceries expenditure
- Hunting expenses
- Restaurants expenses

Gifts & Donations

- Charity
- Christmas Gifts
- Gifts

Health & Fitness

- Dentist expenses
- Doctor expenses
- Eye care expenses
- Gym expenses
- Pharmacy expenses

Home

- Amazon Prime
- Walmart
- Target
- Home Insurance
- Home Supplies
- Lawn & Garden
- Mortgage & Rent expenses

Kids

- Baby/children's Supplies

- Babysitter & Daycare expenses

Personal Care

- Hair care expenses
- Skincare expenses
- Makeup expenses

Pets

- Pet Food & Supplies expenses
- Pet Care expenses

Shopping

- Clothing expenses
- Shoe expenses
- Miscellaneous expenses

This can serve as a framework for you to come up with your own set of expenses. You can tweak them to your liking.

Do not worry if you end up missing out on a few expenses. You can always add them when you remember them.

To avoid this, make sure you enter the expense immediately after incurring it or maintain bills and receipts for cross-reference at a later date. You will be surprised at how easy it is to carry out this activity.

You will be able to do so quite easily and not have to worry about your expenses going out of hand. Do not worry if you are unable to keep up with this regularly at the beginning.

It can take some time for you to come up with the budget. Just with a little interest directed towards it, you will be able to make the habit stick.

Once you are able to maintain your budget, you will see that it is easier to repay debt and be on the right track to save money.

Chapter Three: Setting Up Your Minimalist Budget

Why Most People Don't Set Up A Budget

Many people tend to run away from setting up budgets as they think of it as a tedious task. Some simply assume that even if they have a budget, they will not stick with it and end up spending all their money, but this is the wrong mindset to have as not having a budget can almost always result in overspending.

Having a set budget can always help to make the right monetary decisions. For example, if you set aside a budget of \$200 for entertainment then you will stop once that is up and not end up spending \$50 more.

There can be many other reasons why people will refrain from making a budget and some of them are discussed below.

Freedom take over

Some people might think that a budget can take over their freedom. They will assume that a budget will lay down too many constraints.

Overspending

Some people tend to run away from budgets because they think it can make them spend more, which is just a misconception that many people tend to have. They will also fear finding out about the places where they overspend their money and wish to avoid it.

The best way to deal with this will be to learn to prioritize and direct money into the right accounts. You will find that it is always better to spend moderately and avoid overspending in the wrong places.

Fear

Some people fear to look at their finances and where they stand. This can lead to avoidance of making a budget.

Compromise

People think that making a budget will make them compromise on things that they love doing.

Busy

Some people are simply too busy to engage in making a budget.

Impossible

Some people think that it is tough for them to make a budget as their income will vary from month to month and will not be fixed.

Boring

Some people will simply think of budgeting as a boring process that requires constant updating.

No debt

Those who do not have any debt will avoid making a budget because they assume they have nothing to worry about, but in reality they still need to save money.

Tough to stick with

Even if some people develop the habit of making a budget, they will find it tough to stick with it and give up.

Last minute

Some people tend to prepare budgets at the last minute. They wait until a crisis comes their way and only then do they start making a budget. This is the wrong approach as it is important to start as early as possible; otherwise the habit will not stay.

Control

Some people might have a controlling spouse or partner who encourages them not to maintain a budget. This can be one of many reasons why people stay away from making budgets.

When you first start out making budgets, you might feel a little intimidated and it is normal to feel that way. There is no need to panic if you are unable to make sense of it.

Once you get the hang of it, you will find it quite liberating. You will begin to identify redundant costs and avoid paying them.

You will also be able to fix other areas of the budget that need fixing. There are many people who are averse to the idea of having a monthly budget to stick with.

They like to believe that not having a budget is the best way to tackle finances and it has been working for them for so far. They assume money is going to go away anyway before the next paycheck arrives.

They also assume that being at the entry level of a job does not require preparing a budget. There are several more reasons that can contribute to people avoiding making budgets.

The key is to identify the causes and tackle them at the earliest time possible so that you can start making budgets. There can also be people who constantly have extra cash and are thus not bothered to make a budget.

They do not live from paycheck to paycheck and have enough cash to spare. It won't be too long before this extra cash will run out if a budget is not prepared. The basic virtue to bear in mind is that it is important to start making budgets from an early age so that the habit of saving can be developed.

Importance Of Budgeting To Control Finances

Budgeting is one of the best and easiest ways to manage money. Many people tend to avoid it because they think it is a lot of work or that having a budget will mean not being able to enjoy life fully.

But these are wrong mindsets to have as once you start maintaining a budget you will come face to face with the different benefits that will motivate you to stick with it. It can save you from debt and overspending, and let you enjoy your life and the things you possess.

Benefits Of Budgeting

How much you have

Maintaining a budget can help you know how much money you have, and how much is at your disposal. You will know exactly how much money you can allow for different categories.

Control over money

One of the biggest advantages associated with making budgets is that it gives you complete control over your money. Without a budget, you will find it tough to control your expenses.

You might suddenly find yourself lacking funds. If you plan and use your money correctly, you will not have to worry about running out of money. Making small sacrifices such as forgoing buying coffee daily can help you enjoy an exotic vacation in the future.

Monetary goals

Preparing a budget can help you remain focused on your monetary goals. You will be able to avoid spending too much on unnecessary things and instead divert money towards funds. If you happen to be working with limited resources, then a budget can help you meet all of your requirements.

Understanding your money

A budget will help you understand what is happening with your money and where it is going. It will save you from thinking where your money went and if it was spent on a worthwhile cause. It will teach you the importance of spending on the right things and open up investment opportunities. It can allow you to repay your debt much more easily and meet your financial goals without much effort.

Organize spending

By using a budget, you can allocate your money into different categories such as expenditure and savings and prepare a budget that can help you be more aware of how much money has to be allocated to other expenses. A budget can help you make adjustments and ensure that your finances are in order and help you save effort and time.

Emergencies

Budgets help you save money for emergencies. It allows you to allocate money for unexpected costs that can arise in the future. If someone else has unexpected needs, then you will be in a position to help them out as well.

Communication with partner

If you have a spouse or significant other, then having a budget makes it is easier for you to communicate with them about money. As you know, it is important to establish teamwork with your partner if you wish to save money and make the right type of investments. Without proper communication, you might end up spending unnecessarily on all the same things. If you prepare a budget and share it with your partner then they too will spend responsibly.

Early warnings

A budget can give you early warnings. When preparing a budget, you will be able to look at all the debts and how they are shaping up. This will tell you when it is the best time to repay all your debt so that it does not blow up into something big.

Debt capacity

A budget can tell you how much debt you can afford to manage. It will tell you your debt capacity and how much of a loan can be repaid.

Earn extra

A budget can help you make extra money. If you are able to find loopholes in your spending then you will be able to curb unnecessary expenses, which means you will be left with more money.

As you can see, there are many advantages associated with maintaining budgets. Those who identify its benefits and start maintaining budgets regularly will be able to climb up the ladder of success much more easily than those who do not make use of them. It can make a big difference in the lives of people who are unable to control their expenditure and end up spending money on unnecessary things.

Things To Remember While Budgeting

When you come up with a budget, it is important to bear a few things in mind that are as follows:

- Start an emergency fund
- Perform regular inspection and analysis
- Maintain some allowances for yourself
- Set financial goals to pursue

Remember that maintaining a budget has to be a continuous process and not something you take up as a fad. Maintain yearly budgeting plans and tick off one milestone after another. Your income and expenses will change from time to time and thus, you have to tweak your budget accordingly.

A Step By Step Plan Of How To Set Up A Minimalist Budget

A minimalist budget can help you prioritize your finances and help you go after your financial goals. It can make your life simpler and easier to manage the flow of money.

The minimalist budget can simplify your life and allow you to do more. Minimalism is a tool that can be used to reduce the amount of clutter in your financial setup.

A minimalist budget will give you clarity and show you how you can reduce unnecessary expenditure. It will help you remain focused on your financial goals. One thing to understand is that just by having a minimalist budget you will not just focus on spending less money.

You will also be spending money wisely. Minimalism can help you live well and also save money.

If you successfully reduce the clutter in your life then you can easily make better financial decisions. It will put a focus on your spending habits and show you where you need to have more control. It can change the way you perceive money.

A budget will make it extremely easy for you to go after your financial goals and pay off excessive debts. You do not have to worry about spending too much on things that are of no use. You will realize the value of money and how it can be used to set up a strong financial base.

Before you understand what a minimalist budget is, you must first know what it is not. A minimalist budget will not let you maximize your credit card rewards, coupons, etc. It cannot be used as a means to open up multiple accounts.

The minimalist budget is only designed to help you understand your finances in a simple manner and allow you to go after your goals. Those who use minimalist budgets understand the importance of not using credit cards and opting for debit cards to make purchases.

This can help to reduce clutter and avoid temptations to buy things that are unnecessary. You will opt for more value-based goods and avoid going for redundant items.

Starting A Minimalist Budget

Here are the steps you need to take to set up a minimalist budget.

Borrowing to owning

The first step of the process is changing your mindset from a borrowing one to an owning one. The main idea here is to get the most out of your finances.

You must buy things only when you can afford them, not when you want to buy them, and have to borrow money. If you cannot afford a certain lifestyle then do not invest in it.

The minimalist budget requires you to think straight and in terms of ownership instead of thinking about debt and repaying it. You must think of the outright cost of a certain product instead of thinking about its equated monthly installment (EMI).

The best way to do so is by only using credit cards when absolutely necessary. They can tempt you to buy things on credit and you will end up with a lot of interest to repay.

Financial values

A minimalist budget can help you establish your financial values. It will help you know what is unimportant.

It can help you differentiate between valuable things and things that do not have intrinsic value. Once you identify these values you will be able to prioritize your finances.

An example of a priority would include paying off any debt in three years. Some examples of financial values include living a debt-free life, saving 30% of your income, maintaining a difference of 30% between your income and expenditure, making 10% donations, adding \$100 to specific funds, etc.

If you outline your financial goals then it is quite easy for you to go after them. You will be able to go to a point in the future where you wish to be and get out of your current position.

You will be able to make the move regardless of the obstacles and hurdles that might come your way as you will be prepared to tackle

all of them head-on. There are different ways in which you can create your priorities.

You can use the 50/20/30 method as I talked about earlier if it is easier for you to do so. This budget lets you prioritize your income and needs and makes you save more.

As mentioned earlier, it is better to buy experiences than material goods. Experiences will make you happier than material goods. Prioritize your experiences over material gains.

Thus, before you create a minimalist budget, you have to first prioritize and define your financial goals and only then will you be able to set up an effective budget.

Evaluate consumption

The next step is to make a list of your spending habits to assess your consumption. Right from travel expenses to transportation to food to gifts and everything else, you must make a comprehensive list of things.

Once you do so, you have to evaluate all the items that are on the list and assess whether they are useful and carry meaning or happen to be useless. If they are valuable and will serve you a specific purpose, then let them stay.

If they are useless, then stop spending money on them. For example, if you spend \$200 a month eating out then ask yourself if you would be better off saving this money for the future.

Some might agree it is, but some might not. It is based on individual choice and how you perceive things. Everybody looks at things differently and thus, it is up to you to decide what is more important and what isn't.

Simplify credit cards

Using a minimalist budget can help you simplify your savings account and credit cards. If you wish to pay for important things such as gas, utility, bills etc. then it is best to use a debit account.

If you wish to buy big-ticket items such as a house or car, then you'll likely have to pay using credit. Ideally, it is best not to use credit at all and rely on debit, as it will not invite large interest. However, if it's

used for something such as buying a house, then it can be a good idea.

It can simplify your spending and help you make fewer mistakes. Make sure you have just one or two checking accounts as having multiple ones can make it quite confusing.

It is best to have one checking account and one savings account. Maintain a 401(k) and an IRA account. Having this type of organized financial set up can make it easier to manage money.

Spending plan

The next step is to come up with a spending plan mentioning your income and expenditures. This stage of the plan is to list out specific items of your expenses against your income.

It will help you track your expenses and understand how money should be spent. It allows you to break down your income and expenses and know where your money is actually going. Here is an example of a simple minimalist budget:

- Rent/mortgage expenses
- Utility expenses
- Grocery expenses
- Transportation expenses
- Personal Care expenses
- Kid expenses
- Travel expenses
- Entertainment expenses
- Professional service expenses
- Donations
- Miscellaneous expenses

This is just an example and you can add in any other expenses you think you might incur. Simply use a spreadsheet and list out the different expenses that you would like to record, and subtract those expenses from your monthly income.

Automatic payments

Minimalism allows you to adopt a simpler method of organizing finances. It can be helpful to automate your payments when adapting this type of expenditure system.

By automating, you will be able to directly deposit money into your

funds, pay bills and take care of other such expenses. It can be quite easy for you to take care of your finances using this system.

You can get your bank to pay the bills and other expenses directly without your interference and avoid hassles.

Question expenditure

A minimalist budget requires you to question all your expenditures. Both current and future ones need to be addressed to ensure that you stick with the budget.

Ask yourself at least two times if your purchase is worthwhile. Bear in mind that it takes you a lot of time and effort to make the money so all your purchases should be weighed and considered. You must ensure that you are fully aware of the purchase before you spend money on it.

Reviewing your progress

Reviewing your progress from time to time is extremely important. It is the only way in which you will feel motivated to stick with your budget and come up with a plan to enhance your financial wellbeing.

Review and evaluate your budget on a monthly basis and call for action. Track and review all your expenses and incomes and make sure you are on top of it.

Be prepared

It is not easy to become a minimalist. Right from indulging in self-doubt to listening to others, there will be many things to get used to.

If you love your money and want to make the most of it, then these minor things should not matter to you. If others are unable to understand what you are after, then do not bother.

You are doing it for your own sake and not to please others. As long as you have a supportive family, you will be able to carry out a minimalist lifestyle.

General Budget Tips For Expenses

When it comes to budgeting, the more you know the better off you will be. It is important to understand the various intricacies involved so that it is easier to come up with a foolproof budget that can help you hit your financial goals on time.

It is best not to overcomplicate things and maintain a simple and effective budgeting system. Be it a minimalist one or otherwise, the budget should help you reach your financial goals on time.

To help you out, here are some general tips on budgets that you can follow to adopt a minimalist lifestyle.

Goals and priorities

You need a clear-cut mindset about your goals and priorities. You should know what you are saving for and the things that you are willing to spend money on and what you are not willing to spend money on. This way you won't even have to think about making certain purchases, and it'll help prevent you from being tempted to spend money you know you shouldn't.

You have to decide what you wish to let go of. The best way to do this is by listing out your financial goals and priorities and keeping it in a safe place.

You have to maintain goals that are non-negotiable and have to be achieved within a set period of time. Maintain and go through a list of priorities that will help you know whether you are on the right track and have not wandered off.

It will give you direction and help you make financial choices much more easily. With time, it will become easier for you to control your expenses and it will become a part of your everyday life.

Tackle distractions

If you wish to adopt a minimalist mindset, then you will have to recognize and remove distractions. These can make you backtrack and you might end up giving into temptations.

Get rid of push emails that will tempt you to buy things that you do not need. Unsubscribe from such emails and stay away from their social media accounts.

These push emails are designed to promote the fear of missing out and they can end up making you spend money on things that are unnecessary. Delete your accounts from such sites so that you do not feel tempted to buy things that are unimportant.

Get rid of debt

If you have debt, then it is best to tackle it as soon as possible and get rid of it. Eliminating debt can help you lead a freer life that is away from stress. A minimalist aims at eliminating debt and clutter. It is ideal to become debt free fast.

Stop spending

This might seem like very basic and obvious advice but it is an important one. Many people will tell you to control your spending, but the right advice for you might be to completely stop spending money on things that aren't necessary.

This can help you control your impulsive buys. By freezing your credit cards, you can easily control your spending and divert the money to a savings fund.

You do not need to do this all of the time if the thought of this sounds intimidating to you. Simply try to go a month without spending any money on things that aren't necessary. If that's too much to start out with, then try just starting out with a week and work your way up from there.

Budget right

What works for others might not work for you. It is best to come up with your own budget plan if you think certain tips don't suit you and your unique situation.

It might not be the right choice to blindly follow what others are doing. Make a special plan that suits your needs.

Take the help of a financial advisor to come up with a personalized plan. You might think doing something like that would be a waster of money, but it could save you money in the long run. An expert would be able to see things that you might not be able to. Also be sure to get your spouse or partner on board so that they too will understand the plan that will be implemented, which I'll talk more about how to do in a later chapter.

Chapter Four: Overcome Your Debts the Smart Way

How Overwhelming And Crippling Debt Can Be

As you know, debt can be quite overwhelming and make life difficult. Debt should not be taken lightly as it can change the way you live.

It can persist for a long time and not go away unless you take specific action. Debt can pile up over time and make it difficult for you to carry out everyday activities without thinking about it.

Paying bills to loans will occupy your mind and make it difficult for you to focus on other things. It is almost impossible to be immune against debts, as almost everybody will have some form of debt to repay.

Some might even have the habit of taking up too much debt and allowing it to pile on. To help you understand how debt can impact your life, here are some points to think about:

Bankruptcy

Thousands of people end up filing for bankruptcy, as they will not be able to repay their debts. They will do so to seek protection under the law.

There are three types of bankruptcy and include chapter 7, chapter 11 and chapter 13. Although it can be a lengthy and tiring process, bankruptcy can help certain people who are in bad situations. However, filing for bankruptcy will look really bad on your credit report making it much harder to get a loan for certain purchases such as a house or car for example.

Eviction

If a person is unable to repay their housing loan debt, then they might be evicted or taken out from their home. This can also apply to those who are unable to pay their rents. The owner might decide to evict them.

Wage garnishment

This refers to a situation where a judge might instruct your employer to directly pay the creditor the money you owe him. This means you will not have access to the money and it is directly sent to the creditor as soon as it comes into your account.

Foreclosure

Foreclosure refers to a situation when your house might be closed off. This will happen if you are unable to pay back the loan you had borrowed for your home.

Emotional Troubles

Having too much debt can make you quite unhappy. It can lead to embarrassment if you have too much debt that is difficult to repay.

You might have to deal with pressure from creditors who might call or email you often to repay. You might also have to deal with losing possession of your belongings including your car and home.

It might lead to stress and depression. You might not be able to live a normal stress-free life.

As you can see, debt can impact your life in many ways. It is estimated that average American households have a debt of \$134,643.

This is said to be a major cause of stress. The negative effects will continue to linger as long as the debt is not paid in full.

Debt usually comes at a high cost and thus, you have to think twice before borrowing money. But you have to learn to differentiate between good debt and bad. It is important to understand that not all debt is bad and there are situations where taking on debt is a good idea.

There can be some debt that helps you live a fuller life that you might otherwise not be able to live. In some cases, it can help you control negativity and have a positive influence on your life, but it is important to repay all kinds of debt on time so that it does not pile up and become unmanageable.

You will have to control your spending to ensure that you can successfully pay back your debt. You cannot continue having a lavish lifestyle and expect to pay back debt.

It is important to control negative momentum. You will have to first patch a hole in a boat before taking the water out.

Let's look at the difference between good debt and bad debt.

- To put it simply, if a certain type of debt helps to increase your net worth or comes with a value that will increase in the future, then it is a good debt. If it does not come with any such value and you do not have the cash to pay for it, then it will become a bad debt.
- The next thing to understand is to assess if you have too much debt.
- There will be clues sprinkled around that will tell you if you have too much debt and if it is eating away into your income. You will have to calculate a debt to income ratio.

In order to do so, add all your monthly debt payments and divide it by your monthly gross income to get your debt to income ratio. Say for example, if you have a monthly mortgage of \$1,700, a car loan of \$300 and a credit card debt of \$500 then the total will come up to \$2,500.

If the gross monthly income happens to be \$5,000 then your debt ratio will be 50%. This is not a healthy ratio to have.

Anything that is over 43% is not a healthy sign. A higher ratio will indicate that you are going to face problems paying back the debt.

You might not be able to get a mortgage if the ratio is above 43%. This can be a bad thing as a mortgage can be a form of good debt.

What Is Good Debt?

Good debt lets you have financial freedom and leverage your wealth potential to let you buy things you need to handle emergencies. Some examples can include taking a mortgage, purchasing things that allow you to save your money and time, purchasing essentials, investing in yourself by taking a student loan, etc.

All these might end up pushing you back financially initially but will make it easier for you to earn more later.

Taking a mortgage

A mortgage is a great debt to have. For starters, you will have a place to live. Secondly, you will live in a place whose value will grow over time.

Housing prices tend to increase over time. This is awesome because that means that value will continue to grow and grow assuming a good housing market.

Say for example you buy a house for \$235,000 and it appreciates by 3% on a yearly basis, then it can be worth \$485,000 when your mortgage of 30 years is paid off.

If it appreciates to 4% a year, then the initial investment can rise to \$649,000.

This means that your mortgage will pay off in the long run.

Getting a line of credit

This happens to be offshoots of a mortgage where you are given a loan at a lower rate of interest by taking your house as collateral. Many consumers use it to pay off debts such as credit card debts.

Some borrow it to modify their existing homes or improve it by installing things such as solar panels that can help them save on utility bills and also enhance the value of their homes, but if you are unable to pay off debts on time then you will have to worry about foreclosure.

Student Loan

A student loan is usually considered to be good debt. If you want a good education so that you can land a job in a good company, then you might have to take out a loan.

It is estimated that Americans as a whole carry more than \$1.4 trillion in student loan debt. This figure happens to be radically higher than a country's credit card debt.

But the money you borrow can be worthwhile if you buy a good education and are able to land a job that pays you exceedingly well. You have to be able to choose the right degree and right industry.

Those that fall in the category of STEM fields, that is, science, technology, engineering, and mathematics come with higher earning potential. Choose the one that is closest to your interests so that it is

easier to study and score well.

Thus, depending on what you are taking the student loan for, it can be classified as good debt or bad.

Small Business Loan

A good idea is to take out a business loan. A business can be more rewarding than working for a company.

If you work for yourself then you have the potential to earn more money than you would as an employee, but you have to pick a business that is sure to work out. Do not take risks. Find businesses that come with a high pay off potential and lower risks.

You might also have a tough time finding a creditor or a bank that will fund your small business as the risk potential can be higher for them.

You must also bear in mind that nearly one-third of all small businesses can fail to survive during the first two years of their startup, but if you think you have enough drive to help sustain it and become a success then you can opt for this option.

What Is Bad Debt?

Bad debts refer to those debts that can decrease in value right from the minute after you buy it. This can describe almost all basics of life including clothes, jewelry, televisions, phones etc.

Here are some examples of bad debt that you should know about so that you can avoid it whenever possible.

Credit Cards

It is important to understand the impact that credit cards can have on your finances. They can set back your financial health and end up eating away into your earnings.

It can be quite difficult to understand them and figure out how they work. You will be tempted to buy unnecessary things on credit thinking you do not have to pay for them immediately.

And before you know it, the amount you spend on your credit cards piles up and you will eventually find yourself in a lot of debt. Even if

you go for big-ticket items on sale, you will still end up paying a large amount of interest if you use your credit card to buy it.

Interest rates can be as high as 20% and can take you many years to pay off. This money might be better off saved for a vacation you can take with your whole family.

Most Americans have quite a bit of credit card debt. This means that most of them are probably over their 30% credit utilization ratio. This will also impact your credit score and creditors will charge a higher rate of interest for loans or new credit.

Payday loans

Payday loans can be much worse than credit cards. They refer to short-term cash loans that are meant to help you get through a tough situation.

In return for it, you will have to post-date a check that you will have to try to pay off as soon as your next check arrives, which can be two weeks. It might sound like a quick and easy way to better your financial standing but it can invite hefty annual percentage rates as much as 400%.

Automobile Loans

These are usually thought to be bad debts as the value of a car depreciates over time. It will only appreciate if you buy an old classic collectible car.

Even if automobile interest rates can be quite reasonable, they can take away about 5% of your income per month. By the time you are done repaying the car, the value of your car will have depreciated considerably.

If you wish to make a smart investment then go for an affordable car you do not have to borrow for or a good second-hand one that can serve the purpose.

Different Techniques To Overcome Debts

Repaying your debt is very important. You must repay your debt as soon as possible so that it does not pile up.

It is never too late to bring together a debt repayment plan. When it

comes to repaying debt, there are two main methods known as the avalanche method and the snowball method.

The two use radically different approaches to help you pay off debt. Each method comes with its own share of pros and cons that you must understand to pick the right method.

The core of both concepts will remain pushing every extra dollar you have towards debt repayment so that you can pay it off faster. When you keep paying the debt, the core sum will reduce thus making it easier for you to progressively pay off all of your debt.

The main difference between the two types is the order in which you will be paying off your debt. Experts have divided opinion over which one happens to be the best method to pay off debts but it is a matter of personal choice.

You are free to choose whatever you think will work well for you. Let's look at both of them in detail.

The debt snowball method

The debt snowball method is one that is quite popular because of the ease at which you can get started with paying off your debt. It is one where you start off by paying the smallest balance and then move to the next smallest one and so on and so forth.

When you're working on paying off your smallest debt, you'll want to pay the minimum on everything else. This way you can focus your full attention on the smallest debt.

Then once that loan is paid off, use that money to help pay off your next smallest debt. For example, if you were paying \$100 a month to pay off your smallest loan of \$500, then once that debt is paid off use that \$100 and combine it with the money you're currently paying on your next smallest debt.

If your next smallest debt is \$1,000 and you were paying \$75 per month on that loan, you would then add the \$100 to that \$75 and would not be paying \$175 per month on it. You'll then repeat this process until all of your debts are paid off. The idea is that the snowball will get bigger and bigger as your smaller loans get paid off.

This will be independent of the rate of interest that you will be charged. This is ideal for those who have a lot of small debts to repay

with many statements coming out every month.

There can be a lot of minimum payments to be made and it can feel a bit overwhelming. Right from bills to credit card debts to loans, there might be several small debts scattered all around.

You might feel paralyzed into not taking action when you see all of the debts that you have. However using this method, if you begin repaying your debt starting with the smallest and then moving onto the next smallest, then it will be easier for you to start cleaning up all of the different loans that you have. This will help you build momentum and motivate you to keep on moving forward to pay off everything else.

Based on the situation you happen to be in, you might be able to pay off small debts in full every month or every few months. That can make you feel quite empowered and you will feel like your debts are being paid off faster.

It will motivate you to pay off your loans and by the time you begin going for the bigger debts such as your house and car loans, you will have renewed confidence and a psychological advantage in your ability to pay off all of your debt.

You will only require a small amount to start paying off the debts, which might be easy to arrange for.

The debt avalanche method

The next method is known as the avalanche method. It is one where you pay your debts starting with the higher interest one first and then move to the next highest interest rate loan. Again, the balance does not matter.

You will think that this method makes more sense mathematically as it is easier to pay off debt using this method. You will end up paying less interest over time if you pay off debts using this method.

You will be able to save money on interest rates and be able to pay off debts faster. You will get a better deal if you go for the highest rate of interest first.

For example, if you pay off credit card debts that charge you about 18 to 19% as compared to a small loan that is charging you 5%, you will be better off financially.

The downside to this method is that you will have to start off by saving a large sum of money to pay off the biggest debt. This can often be quite difficult, especially if you have just started working. This can put some pressure on you. IT can also be easy to get overwhelmed by all of the debt you have and quit on using the method, which does you no good.

As you can see, both methods have their own pros and cons. You can choose the one you think suits you best. It might feel as if they have quite a lot of differences between them but they will hardly matter in the end.

As per experts, the difference of interest you will incur if you prefer the snowball method to the avalanche method will not be too significant unless you have a large sum to repay.

Other Tips

If you really wish to get rid of your debt faster, then there are some other things that you can do to help yourself. They are discussed as follows:

Credit cards

One of the first things that you have to do is focus on only using credit cards in case of an emergency. The more you swipe them, the more your interest will climb.

If you wish to continue using your credit cards, then it is important to avoid engaging in activities such as taking cash advances. This is unlike withdrawing cash from your debit account as it can invite a cash advance fee and an interest rate that can be quite steep.

This interest can keep accumulating over time and end up becoming a large sum of money. One tip is to freeze your credit cards in a cup of ice so that it will not be easy for you to access it and you'll have to wait a while before you can do so.

Payment limit

Do not go all out and try to pay off all your debt at once by compromising on savings. It is important to set up an emergency fund.

If you plan your expenses properly then you can save quite a bit of

money that can be directed toward paying off debts. For example, if you are able to save a few dollars on your shopping bill then you can divert it towards repaying your debt.

That way, you will not feel pressured to take money out of your savings fund.

Pay attention to your spending

Have a look at your spending habits and where the money is going. Skip expenses that are unnecessary such as visiting the coffee shop every day.

Carry your own coffee and lunch to the office. This might not seem like much of a big deal, but doing this can help you save quite a bit of money.

Also be sure to follow a strict budget so that you know what to buy and when.

Double up your payments

It's a great thing if you have managed to pay off one of your credit cards, but that does not mean you should take it easy. You have to keep the momentum going and pay off the others and work on paying off all your debts.

Use bonuses to pay down balances

Some people might find it hard to part with their bonus as it is their reward for hard work but it is best to use it to pay off debts, as it is a better choice than spending the money. If you do not wish to use all of it to pay a debt balance then use a portion of it to do so.

Increase your income

Try to generate more income by engaging in activities such as freelancing, being a part-time tutor, selling off old, unused stuff, etc. This cash can be directed towards paying off debt balances.

Don't sacrifice too much

One rule to follow is to never sacrifice too much. You might have to make a few lifestyle changes but do not change it up so much that you stop enjoying life or become miserable.

You might have to make a few adjustments here and there to be able

to pay off debts faster, but do not forgo your favorite things and try to strike a sustainable balance.

How To Make Large Purchases Such As A Car Or House

Who does not want to have a car and a house? In this day and age where instant gratification takes the limelight, youngsters and professionals prefer to buy big-ticket items as soon as they land their first job.

They try to look for the best deals that can help them buy with ease and land the best interest rates on credit. But it is key to understand the different aspects involved.

In order to make the right decisions, you have to know what scheme is best for you by evaluating the pros and cons. The first thing to do is make a list of the items that you would like to buy.

Once you do, you have to separate them into two categories—wants and needs. If it is a luxury item then it is most likely just a want.

They can be moved to a list of items that can be bought at a later time or after the needs have been purchased. Make a list of items that you need immediately. Some of them include a house and a car.

When you wish to buy these, you will have to take out a loan. Once you do so, you will start incurring a monthly debt balance that you will have to pay off regularly.

Apart from incurring debt, there are other things you have to take care of.

Financial obligation

If you take a loan, then you will have to pay it back in installments. This can create a long-term debt, which if not honored, can lead to issues.

Extra costs

All debts and borrowings come in two parts namely principle and interest. The interest is the extra cost that the creditor charges for lending the money and the principal sum is the sum that is borrowed

to purchase the item. If you extend the duration to pay off the principal sum then the interest can end up increasing.

Opportunity cost

If you wish to own an asset by financing, then an opportunity cost will be involved. This happens to be the interest that will be charged.

If you end up paying a hefty interest, then you will lose the opportunity to invest that extra money you would've had elsewhere. You might have to forgo gaining a profit from the investment.

Financial freedom

If you take out a loan, then you might lose your financial freedom to some extent. You will have to pay back the interest and principal amount every month, which can end up being a costly affair.

If you are unable to pay it back on time then it can invite a negative credit history. Thus, you will have to set aside a certain sum to repay the debt every month. This can end up making you compromise on your lifestyle.

Thus, it is advisable to buy big-ticket items after saving for them. Set up a fund where you can redirect some money on a monthly basis, which can be used to buy the items.

This system will make it easier for you to buy things without the hassle of involving creditors. You do not need to arrange for the entire amount as even 60 to 70% will help you borrow just 40 to 30% which can be easier to pay off as compared to 100%.

Make a plan to save for at least two to three years so that you have enough money to buy all the necessities. It is estimated that buying big-ticket items on a loan can end up being 30% higher than saving for it.

It is a better option to save that 30% by funding your own purchases. You will have to forgo instant gratification but it will be worth it to wait for whatever you need if possible. Yes this will likely mean making some sacrifices such as finding a different way to get from place to place if you need a car. There are ridesharing services and public transportation such as buses depending on where you live.

Doing this will be hard, but it'll allow you to save a significant amount

of money. You can remain peaceful knowing you are not draining away money unnecessarily.

Some Basic Tips To Improve Credit Score

A credit score helps to project payment patterns over a period of time and will showcase the latest information.

It is important to fulfill certain duties when it comes to credit payment if you wish to generate a positive credit score.

Having a low balance and high debt can negatively impact your credit score. You might find it difficult to apply for new credit and it might end up maxing out. You must try to pay off debt rather than find a way around it. There can be no shortcuts and you have to make the effort to pay off debts to maintain a good credit score.

Important Credit Score Factors

There are many factors that can affect credit scores. Some of them include payment history, credit utilization ratios and other such aspects that can impact your credit score in a big way.

In fact, these factors make up about 70% of your score, which means that they have a huge effect on your final score.

Payment History

One of the first things that creditors will look at is your payment history. This means they will be interested in knowing how reliable you are when it comes to paying off bills.

Your past payment performance will indicate your future performance. You will be able to influence your credit score positively by paying all your bills on time.

If you end up paying a lesser sum than what you had agreed upon or paying at a later date can both negatively impact your credit score. You will thus have to pay on time all your debts including bills, utilities, etc.

It is a good idea to make use of automated payment services as they can pay debts on time without your active involvement. This way you

won't have to worry about forgetting to make a payment.

If there are late or missed payments for seven years or more then their impact on your credit score will begin to decline over time. This means that older late payments will have less impact on your score compared to recent ones.

Credit Utilization Ratio

The credit utilization ratio is an important factor to consider when calculating credit scores. The credit utilization rate can be calculated by dividing the total credit card balance by total available credit or credit limit. For example, if a credit card you own has a limit of \$5,000 and you've used \$1,000 of that \$5,000 limit, then your utilization ratio would be at 20%.

Credit scoring models can consider credit utilization rates across all the cards you own and the rates of individual cards. Lenders prefer to look at lower ratios of 30% or less and those with the best credit scores are more likely to have lower credit utilization ratios.

A lower credit utilization ratio will indicate to lenders that you have maxed out your credit cards and cannot manage credit well. If you wish to influence your credit score positively then here are some things to do:

- Pay off debt and maintain lower credit card balances
- Be an authorized user on another person's account

It might seem like an easy option to apply for a new credit card but it will invite a hard inquiry on your credit report. If you end up having too many of these then it can negatively impact your credit score. These inquiries will stay on your credit report for at least two years.

How changes affect scores

One of the most asked questions is how specific actions can affect credit scores. Say for example, can closing two or more of your revolving accounts help to improve your credit score? This question might not be an easy one to answer, as there can be many different factors to consider.

Credit scores are usually entirely based on information that is found in a person's credit report. If there are any changes made to the report, then it can directly impact the person's credit score.

By closing two accounts, the number of revolving accounts can be lower and also reduce the total amount of credit that is available. This can lead to a higher utilization rate that is also known as the balance to limit ratio.

Just a small change can end up impacting several items on the credit report. It is tough to provide an accurate report of how any specific action can affect a person's credit score. This thus highlights the importance of credit risk factors that are supplied with your score.

They can help to identify the elements based on your credit history that can have a maximum impact so that you can take the right action.

Here are some steps you can take to improve your credit score

- One of the best and easiest ways to do so is by paying your bills on time. Regardless of how big or small the debt is, paying it on time can have a positive influence on your credit score
- Try to minimize your outstanding debt
- Control your urge to apply for a new loan

Applying for credit can show up as an inquiry on your credit report. This can indicate to creditors that you might be taking up new debt.

It can prove to be advantageous for you to use credit that you already have to indicate your ability to manage credit responsibly. Apart from these, it will also help to maintain positive payment history and a lower credit utilization ratio that can help you take the right steps to enhance your credit score. Some of them include:

- Developing discipline and control to avoid using credit cards
- Leaving unused credit accounts open. These accounts can add to the total credit that you have at your disposal and not using them up can help to keep the credit amount low thus leading to a lower credit utilization ratio.
- You can apply for a new credit account only if it is necessary to do so. Any unnecessary credit can end up harming your credit score in different ways by generating too many hard inquiries on the credit report and tempting you to spend and accumulate too much debt.

- Go through your credit card history to find inaccuracies and clear them up fast.
- It is important to guard your account against identity theft. Keep checking your account regularly and monitor all the activity.
- If there are any signs of fraud, then make sure you report it immediately.

How Long Does It Take to Rebuild a Credit Score?

If you have any negative information on your credit reports such as any late payments or too many hard inquiries then you may have to pay your bills and then wait. Time can be your friend when it comes to enhancing your credit score.

There are no quick fixes for bad credit scores. You have to do things the right way and that can take some time.

The time needed to rebuild your credit history once a negative change occurs can depend on the reasons that exist behind the changes. Many of the negative changes in a credit score can be due to the addition of negative elements to the credit report including delinquency.

These can affect your credit score until a certain period of time. Delinquencies can remain on your credit report for up to seven years.

Public record items will remain on your credit report for seven years and some bankruptcies can remain for ten years. Inquiries can remain on your report for two years.

Building up credit and improving your credit score can take time. There can be no valid shortcuts.

The best advice would be to start improving your credit by checking out what your score is in the first place. You have to know what you're starting point is if you want to improve upon it.

There are many sites that will allow you to check your credit score for free. And since these are soft pulls, you won't have to worry about it hurting your credit score. Once you see your score, there should also be some recommendations for what you can do to improve it.

Things To Know About Credit Scores

Credit scoring can turn out to be quite a complicated calculation and the more you try to learn about it, the better off you will be. You can control your credit in a better way.

Apart from understanding the important factors that are involved, it will also help to understand some facts related to credit scores and credit reports. Some of the important things are as follows.

Negative information

Any negative information on your credit report can reduce your credit score. The information can remain on your credit score for a certain period of time.

Say for example, any late payments that appear for seven years from the date the first payment is missed. Paying a collection account will not remove it from the credit report.

Bankruptcies tend to remain for seven or ten years depending on its nature, but the good news is that your negative information can deplete in effect over a period of time. Until such time passes, it is best to focus on the positives of your report. You still have to pay your bills on time and do the best you can because you don't want your credit score to get any worse than it already is.

You will not have to carry a monthly credit balance to build your credit history. You can pay your bill in full each month and doing so will actually help to improve your credit score not hurt it.

If you settle accounts for an amount lesser than the full amount that you owe then it may pull down your credit score. If you end up failing to repay a debt, as you would have originally agreed, then it could negatively impact your credit score.

If the negative impact of the settlement remains lesser than the negative effect of the debt not being paid or the declaration of bankruptcy, then it makes sense to opt for a settlement.

A good credit score can help you in many ways. Right from getting you the best interest rates and terms to influencing the way you pay for life insurance, you can benefit from it in many ways.

You will find it easier to rent a house, as landlords will be willing to rent the place to you based on a good credit score. Also cell phone

companies might be interested in your credit score before leasing out your next smartphone.

As you can see, credit scores can be really important for your financial wellbeing. It is best to know the right things to make sure your score is good. Keep checking your score and reports and do what you can to improve it.

Chapter Five: Communication of Finances with a Significant Other

In this section, we will learn some tips about how to talk about finances with a spouse/partner and how to get your significant other on board and follow this new minimalist budget. It is important to talk to your spouse about your financial goals. Here are some tips to follow:

Sit Down And Have A Real Talk About Financial Goals

Take some time to sit down with your partner to talk about financial goals. Talk with your partner about individual goals and the things that you and your partner are after financially.

It will take combined efforts to accomplish your goals. Say for example, you wish to take a vacation to an exotic island.

In order to do so, you have to set up a fund and contribute equally. Similarly, if you wish to buy a house in five years then you have to decide on the amount both of you are willing contribute towards it, etc.

Spending Limits

An important talk to have with your partner is the spending limit to set. You have to approach it in the right way. If you have a partner who splurges with money, then you must talk to them to control his/her bad spending habits.

You must also advise your partner to make a few sacrifices just like you are making to contribute to the savings fund. The final goal will be to save enough money to help provide security for future emergencies. Understanding the different compromises that will have to be made by each person will work to favor both of you in the long run.

Assess Financial Standing

It is important to assess your current financial standing. You can do so by using online tools that will guide you through the process and let you know where you stand financially.

It will go through your budget, savings, debt, retirement funds etc. Most of these softwares are free and you can easily assess how you are doing financially.

Once the report is ready, save it or print it and use it to evaluate your financial goals. Use the calculator provided to check how much you have to save every month to meet your goals.

You can make a few adjustments here and there to hit the right spot. This will give you the right path to follow and a roadmap that can lead you to the right destination.

Setting A Budget

A budget is a very important tool that you and your partner must use to come up with effective financial plans. You can use just about anything from a spreadsheet to a whiteboard to just a diary to come up with the budget. Also be sure to follow the tips I mentioned earlier on.

Use the one that can be easily updated and is flexible enough to make quick changes. Make sure there is room to mention all accounts including expenses, emergency funds, retirement funds, savings, etc.

The budget must be easy to access by you and your spouse and it must be easy to make changes or else you'll be less likely to stick with it.

What If Your Spouse Deviates From The Plan Or Doesn't Want To Maintain A Budget?

It is essential for any couple to work out their finances to make a strong team. If this aspect is not addressed then it can lead to troubles in the marriage, especially if the two partners are not on the same page.

It might not always be easy to get your partner on board as some might avoid having financial talks. It can be frustrating for one partner trying to get the other one on board. Despite several attempts, they might refuse to speak about it, therefore, leading to fights and

arguments.

If you happen to be going through such a situation then do not worry, as there are things that you can do to get your partner on board or get them to agree with you on a budget.

Why Your Spouse Might Not Be Cooperating

One of the basic reasons why your spouse might not be cooperating is because your spouse might have a different upbringing than yours. His/Her background might be different than yours and he/she might have different ideologies.

You might have spent your shaping years in a different atmosphere that is unlike his/hers. This means that your partner's perspective will be different from yours.

You might not be able to agree upon certain financial criteria such as debt reduction and the importance of having a savings fund. Your partner might not be able to interpret or apply the principles the same way as you.

To help you through it, here are some things that you can do to get your spouse on the same page as you.

Plan for a money date

Tell your partner that you wish to talk about the budget and set a date for it. It is essential to create a low-stress environment where your partner feels relaxed. Use the time to talk to him/her in simple terms and mention your financial goals to him/her. Tell them how you need his/her help to achieve them.

Change up the discussion

Change up the discussion and mention the term “we” instead of “me.” Using this language will make you and your partner a team rather than blaming each other. It can be easy to direct blame towards your partner for making poor financial choices, but doing so will only divide the two of you. Regardless of who made what purchase, the fact still remains the same that you both have to deal with it, so you might as well use language that conveys teamwork.

Also make your partner realize how important it is for him/her to be on board with you. You have to make decisions as a couple and the

lines of communication must remain open. It is important for your partner to not feel alone on this journey.

Give your partner a chance to speak instead of losing patience and lecturing him/her. Hear your partner out and come up with a solution to the problem. It might be a little difficult for your partner to undertake a minimalist lifestyle if he/she is used to being a big consumer.

Review

Make a plan to review your budget from time to time. If your spouse is disagreeing with you on a certain aspect, then try to find out what it is that is bothering him/her.

See if you need to introduce changes to it. Introduce the changes by mentioning you and your spouse's latest income and expenditures and ask them to have a look at it.

They will be able to identify any issues in a better way. They might be able to advise you on any changes that might have to be made.

If you have a spouse who is reluctant to plan, then sit down next to them and explain to them the different aspects of the budget.

Mention specifics

Make it a team effort. Do not be a dictator and tell your partner or spouse how much they should be spending. Make it a smooth journey for him/her.

Try not to make it difficult for your spouse by trying to change his/her spending habits. Ease your partner into the plan by making him/her realize the importance of spending wisely.

Make your partner understand where it is ok to spend and where it is not ok. Make them a part of the decision-making process and include them in all the plans that are involved. Be sure to do this even if you're the breadwinner. The worst thing you can do is to make your spouse feel lesser than you because you bring in more money. Make it clear that you and your partner are a team and this isn't just your money, it's both your money and his/her money as well.

Make compromises

Do not make it all about your spouse and his/her compromises. It

might not work in your favor if you depend on your spouse to cut down on his/her lifestyle especially if he/she is adamant about certain things.

Lead by example and make compromises so that your spouse becomes more aware of the importance of making compromises. You will be able to meet your partner in the middle and establish some common ground. It's not fair to expect your partner to make sacrifices while you don't have to. If you take charge and make sacrifices your partner will see that and hopefully be willing to do the same.

Take more responsibility

Take more responsibility and control your own expenditures. This is especially important if your partner is not budging at all.

Set the right example and show him/her how you are able to save for something better by forgoing unnecessary expenditure. Look into your own habits and eliminate any that are leading to redundant expenditures.

Belief

Have belief in the fact that you can make it work. Do not give up on it until you succeed.

Focus on making things work by giving your partner the time and space needed to accept your budget and the rules you put forward. Leave communication lines open and be understanding. Remain patient and encourage your partner to be on board with you.

Role Of Open Communication In Finance

Constant communication is key when it comes to finances in a relationship. In many cases, money is one of the leading causes of divorce because couples don't communicate often enough about it.

Here are some things to bear in mind to avoid miscommunication about finances in your marriage.

Making money decisions every day

If you happen to be making money decisions every day and your spouse disagrees with what you are spending money on, then this can lead to marital stress. If you and your spouse do not see eye to eye when it comes to money matters and your partner has his/her own

opinion on how money should be spent then give him/her a chance to do it his/her own way before pushing your ideas forward.

If your partner likes to spend money on buying breakfast every day, then let him/her do it for a month before you tell your partner the importance of cooking at home and saving on the money, but make sure you do not encourage the habit for too long, as they might not be able to break it easily. After some time has passed, you'll be able to show your partner just how expensive something like getting breakfast every morning can be.

Seeing the numbers may make your partner realize just how much certain expenses add up. This is much more effective than simply pleading your case because your partner may not realize how big of a problem certain purchases are until he/she sees the numbers.

Money fights are personal

Money fights can be quite personal. When it comes to spending money, everybody will have their own ideologies and remain emotionally attached to them.

Before you question any of your spouse's habits, it would be best to assess how attached he/she is to it emotionally. Do not criticize something without understanding how your partner feels about it.

If you start blaming or attacking your partner then it might lead to issues. They might stop feeling confident and not be interested in having money conversations with you in the future.

Define roles

One reason that can lead to conflicts among spouses is a lack of assigned roles. If neither you nor your partner is in charge of taking care of the finances then it can be quite difficult to communicate effectively.

The right solution to this problem would be to define the roles and either take charge of the budget or allow your spouse to take charge. Remember that it is important for both of you to participate equally.

You must avoid having conflicts and establish common ground. Your spouse should not feel like the burden lies on him/her to come up with a financial plan.

Your partner should feel at peace knowing you too are doing your bit in helping him/her out. If there are pressures then you must divide them equally.

Meet your spouse on the same page on all aspects if you wish to make it work. Communicate freely and openly. Take turns to go through the budget and make changes to it. Appreciate each other's efforts and encourage each other to keep up with it.

Do not avoid the topic

It might be tempting to avoid the conversation thinking it can save you fights, but this is not the right way to do it. You must make the effort of confronting your partner about it and talking to him/her about your financial stand.

Do not give into it if your spouse starts nagging or tries to control you. He/She might also use guilt to escape from planning. You must make up your mind to prepare a budget and stick with it.

Wired that way

Your spouse might be wired to look at money in a certain way and regardless of your attempts; you might not be able to change his/her outlook. This is better known as money personality.

There is a primary money personality and secondary money personality. Your partner's individual approach towards money management could be quite different from yours. You have to respect his/her traits and not force him/her to do things they might not be comfortable doing.

You can only nicely ask him/her to change his/her spending habits or work on controlling his/her splurging habit and redirect money towards the savings fund. Be a gentle and guide your partner through the importance of saving.

Take the test

If you are not sure what kind of personality you have, then take an online test to assess it. It can help to know what your money personality is.

Once your spouse takes the test, it can then be much easier to understand why you and your spouse behave in certain ways with money.

Children And Financial Planning

It is never too early to teach your child about the importance of money management. The earlier you start, the better off they will be.

If you wish to raise smart kids who understand the importance of spending wisely then the following are some things you must know.

If your kids develop good financial habits from a young age then they can be ready to face financial challenges when they are older. If you provide them with the right information then you can help them develop the right financial skills.

If you introduce them to the right skillset then they will learn to use money wisely and not waste it on useless things.

Invisible money

In this day and age where money has become invisible thanks to credit cards, debit cards, and Internet banking, children are not exposed to physical money and how it can be used. This can be a problem as children might not be able to understand the true value of things and what they really cost.

They might start seeing money as an unlimited resource that can be accessed via cards. The first step will be to explain to them how money works and that you should not spend more than you make.

Tell them how the cards work and how they are linked to real money. Show them physical money to make them understand.

When Is The Right Time To Talk To Your Kids About Money?

There really is no right or wrong age to teach your children about money. You have to start talking to them about money every now and then and give them practical examples. Here are some ways in which you can teach them.

At the ATM

The ATM is a great place to teach your children about money. You can explain to them that the ATM is a place that keeps your hard-earned

money and dispenses it when you need it. It is not a magical hole in the wall where money exists.

At the supermarket

The supermarket is another good place to teach your kids about money. You can pick up items from the shelf and tell them the price of each.

Start from a cheap item and then make your way up to an expensive product. This will give you the chance to teach them how they must look for good deals. Compare two products of the same nature priced differently. Tell them which one you would pick and why.

Paying bills

When you receive utility bills, share them with your kids and explain to them how you are charged for electricity, water etc. Show them how doing things such as leaving the water running and leaving the lights on can add up.

This will teach them the importance of respecting hard-earned money and using electricity and water among other things responsibly.

Making a budget

Get your kids involved when it comes to preparing the budget. Talk to them about money and how it should be allotted to pay for services and buy necessities.

This will give them the right idea about costs and spending money. Explain to them how much money will be spent every week and where the money is being spent.

Tell them to make a mini-budget of their own so that they get the hang of it. Here is how you can get them started with it.

Give them pocket money

Pocket money is given to children to teach them the importance of understanding the true value of money. Giving them pocket money can help them buy school supplies and save some for a special treat. You want to make sure that your children earn the money in some way by doing something like chores for example. This will ensure that they will value the money more.

Learning in school

Most schools these days teach kids about money at school. They might be asked to get involved in fundraising activities.

These activities can help children develop the knowledge and skills required to manage money and spend it wisely. There might be some teaching programs that are designed specifically to teach children about the importance of money.

Don't be afraid to ask your child's school to incorporate it into their curriculum so that they can learn at home and at school.

Money Concepts To Teach At Different Ages

As children grow up, they will need different experiences and a different understanding of money. You cannot teach your 5-year-old the same thing you teach your 15-year-old. As your child grows up, you have to teach them accordingly.

Roleplay

Allow your children to pay for small expenses using their pocket money. This will teach them the importance of money management.

This is ideal for children in middle school. Give them both bills and coins and teach them to use it wisely to buy school supplies, clothes, shoes, etc.

For younger children in preschool, give them plastic money or monopoly money and tell them to act as if they are going to the market and buying things. You can be the shopkeeper and give them something in return for the money.

Needs and wants

You have to explain to your children the difference between needs and wants. This is ideal for children who are in high school.

Teach them the difference between using cash and using credit. Tell them how using cash or debit is always a better option compared to credit.

Credit will always invite an interest rate if not paid back in a timely manner. It is always a good idea to have some savings in place in case of any emergencies.

Introduce them to apps that can help them track money. This can be an easy way to get them to learn about money tracking.

It is the right age to open a savings account for them where they can direct extra money from their pocket money.

Practical Ways To Raise Money-Savvy Children

If your children are old enough and have started earning part-time money, then it is a good time to teach them how to spend their money

wisely. Here are some tips to follow to get them to spend wisely and save money.

Shopping list

Ask your children to help you compile a shopping list mentioning items that are needed for home use and other necessities.

Purchasing

Take them along when you go shopping and teach them how to shop smartly. If you shop online then show them the best websites to visit and find the ideal prices.

Setting goals

Help your kids set goals so that it is easier for them to save money. For example, tell them that they have to save \$20 by the end of the month.

Planning an event

Get your children involved with planning and budgeting. Be it their birthday or any special occasion, teach them to work out the costs including food, party favors, venue costs, transport costs, etc.

Online shopping

It is important to teach your children the importance of shopping safely online. If it looks like the deal is too good then chances are it is a scam. Thus, it is best to avoid visiting such sketchy sites.

Impulse buying

Teach your children the importance of avoiding impulse buying. They might be tempted to spontaneously buy something that they see.

Tell them the importance of avoiding it and waiting for their impulse to pass. Tell them that they might change their mind about it after sometime and even regret buying it.

Managing mobiles

Buy your children mobile phones that are easy to use and provide maximum utility. Teach them the importance of using mobile phones correctly by minimizing data usage and set boundaries so that they do not use it after certain hours. Getting your children a pay as your go phone may be the best way to make your children aware of how much

data, calls, and texts that they're using. This can also make things much cheaper than getting a family plan with unlimited data, calls, and texts.

Ads

Teach your children the importance of reviewing ads they see on TV and the Internet. Teach them how some companies will appeal to them to buy something they might not need.

It is best to teach kids financial skills right from a young age. It is an important skill to develop and can help them grow up into responsible adults who realize the value of money.

They will be set to make financially savvy decisions and spend money efficiently throughout their life if you teach them properly.

Chapter Six: Using Minimalism to Improve Your Finances

Minimalism is all about living a simple life by using only necessary resources as I've talked about earlier. If you have too many things, then it will end up cluttering your space. In such a case, it is best to go through everything you own and get rid of unnecessary things.

I am sure every now and then you hear people saying how they sold off all their old stuff to make room for new things or to simply cut down on the things they have. You too must follow in their footsteps and get rid of unnecessary clutter that might be eating away into your personal space.

There can be many reasons as to why you might want to do this and minimalism happens to be just one of them. You will feel much lighter and better as you will have more space to move about.

You will also have a lot of time on your hands as you do not have to worry about cleaning up clutter. Here is a simple guide you can follow to start getting more out of life:

Inventory Everything

It is obvious that you have to declutter in an organized manner. You will not know what needs to be cut out until you go through everything you have.

Making an inventory of things can help you decide what to hold on to and what to get rid of. This can take quite some time but needs to be done to make decluttering a smooth process.

Having a catalog of things will tell you what you have and what can be disposed of. You will also find it easier to find things and not have to spend hours looking for simple things.

Do it in a systematic manner going through the stuff room by room. You can take pictures of it if you like to make categorizing easier.

Divide the things into different sections such as kitchen, entertainment, seasonal, etc.

Keep Multipurpose Items

One of the best ways to declutter is by maintaining multipurpose items. If you have one thing that can serve multiple purposes, then it can save a lot of space.

For example, if you have a multipurpose cutter that can serve as a knife, blade and also double up like a scissor then it can save a lot of space. Similarly, if you have a couch that can be opened up into a bed then you will have more space in the living room. If possible, convert some of your existing items into multipurpose items.

Don't Be Too Hard

Just because you are being asked to maintain a certain number of items, that does not mean you have become too rigid. You are allowed to have a few more items than you might think if they happen to be super important to you.

Do not deny yourself of anything just because you have to maintain a set list of things. Plan everything out smartly so that you are able to put everything you own to good use.

Say for example you love having your coffee and decided to do away with your coffee maker as you can make it using a microwave, but if you think coffee is really important to you and you love how the coffee machine makes it then hold on to it.

Similarly, do not cut back on things that are important just because you want to scale down. If it has a real value attached to it then hold on to it.

One-Year Rule

A good rule to observe happens to be the one-year rule. If you haven't used anything for a year then it is time to dispose of it.

This includes clothes, utensils, boxes, gifts, garden equipment, etc. If you haven't used it in a year then chances are good that you are never going to use it.

The same can be said for things that haven't been used in the last six months. Encourage your children to go through their stuff and do the

same.

Tell them the importance of decluttering and how saving space can make it easier for them to let go of things without getting too attached to them.

Re-Examine

Once you have decluttered, go back to it again just to make sure you have eliminated everything that is unnecessary. Do this after a week and then follow up again after three months.

The main intention is to get rid of things that are not needed anymore as they can simply clutter up your space. There is no harm in borrowing things that you might need temporarily.

Right from a screwdriver to a baking tin, your neighbor might be more than happy to lend it to you. So, do away with things that are needed only for a one-time use.

Office

Whether it is a home office or regular office that you work out of, it is important to get rid of clutter. You might think there are some indispensable things you cannot get rid of but will realize they are unnecessary after you get rid of them.

Right from an old fax machine to an old laptop, there might be electronic and paper clutter that you must get rid of. A minimalist aims to reduce the overall clutter around them so that more space can be made to enhance productivity.

If there happen to be too many unnecessary things then they can end up cluttering and distracting from the main purpose. It might seem like a daunting task to do all of this, but it can certainly be done. Many other people have already succeeded in doing so.

When you do it, you will realize how easy it is and how it can pay off in a big way. The process of sorting might end up being a bit too tedious but getting your family members to help you out can make the task easier.

You have to develop the patience to not only become a minimalist

physically but also mentally. Once you do it, you will realize the positive benefits that it can leave you with and how it can change your life for the better.

What To Do With The Items That Are No Longer Wanted

Once you declutter your house, it is obvious that you will be left with many things that will be of no use to you. It will not be possible to trash all of it as some of it might have real value.

In such a case, it is important to dispose of the excess the right way. This might seem overwhelming, as you will have to get rid of things that might have some sentimental value attached to it, but it is important to let go of it as otherwise, it can end up cluttering your space.

The right way to declutter would be to maintain three separate boxes, one for things to keep, one for things to sell and one for things to donate. Add the items accordingly so that it is easier to dispose of them.

You just might be sitting on a treasure as some of the things you own might fetch you quite a lot of money. Here are some tips on the right way to do it.

Selling things online

You can easily sell your things online. There are many websites that allow you to list your items for sale.

There can be many that will take your items and might even warehouse it before it is disposed of. You do not have to put in too much effort such as listing it or writing an ad for it as that too might be taken care of on some websites.

But if you want to make the most of your portal then it is best to add a description about the item and mention specifics such as how much it was used and its condition.

Garage sale

Hosting a garage sale can help you make money by selling unwanted things that are no longer of any use to you. It can be easy to host a sale as all you have to do is inform your friends and family about it

and ask them to get their friends to go with them and so on.

Inform your office colleagues as well. Lay out a table and place all the items along with their boxes and tags. Inspect them in advance to make sure they are in good shape.

Donate things

Apart from the stuff that you have already decided to donate, there might be some additional stuff that you haven't been able to sell off. You can give it away to a non-profit organization or a charity.

There can be many options to give away certain items such as clothes and books that you no longer need.

Recycling

Consider recycling stuff that is of no use to you. These can be things that you have been unable to sell or donate.

Recycle them to get rid of an accumulation of garbage. Right from papers to electronic items, everything can be recycled.

Look up videos on how to go about it and you will be able to recycle them the right way. Get your kids involved and ask them to showcase their creative side. These are just some ways to deal with clutter but there can be many more that you can try out.

Saving Money By Looking at Your Monthly Subscriptions

If you have subscribed to too many things that are of no use to you then it is time to cancel some of them. Here are some steps to follow:

Cancel subscriptions you no longer need

If you have subscribed to magazines and newspapers that have become useless then it is best to unsubscribe from them. It can be a bit overwhelming to have too many subscriptions and memberships and end up cluttering your space.

It is best to unsubscribe from the majority of them so that you can get the most enjoyment from your favorite subscriptions.

Repaying debt

Automate debt repayment. Simplify your life by moving the debt amount to the creditors account automatically. Doing so will ensure that you are not tempted to use the money for a different purpose.

Ways To Use Minimalism To Improve Your Financial Situation

By now you must have understood the true potential of minimalism and how you can use it to your advantage, but the more you know about it, the better off you will be. Not only that, you will be able to organize your tax records and banking details, therefore, making it easier to handle your finances.

Here are some tips for you to follow:

Paperless

It is essential to organize your financials if you wish to make the most of your money. Moving the majority of your offline material to online resources can help you remain more organized.

Right from your billing statements to bank statements and other paperwork, you can organize things better. You will be able to access your financials in a better manner as well.

Use tools that let you maintain records in one place so that you do not have to run after too many files to locate what you need. Maintaining information on your email might not be a good choice and it is best to use trustworthy apps and websites that can keep your information safe.

Tackle recurring expenses

Take care of expenses that tend to recur. For example, cut out on habits such as subscribing to similar magazines, eating out every day, subscribing to cable, etc.

You can always settle for alternatives such as subscribing to just one informative magazine, cooking at home, streaming videos, etc. For every dollar you save from engaging in these types of things, you can add it to your savings account or use that extra money to pay off any debts that you have. You will be able to save better and live a simpler life.

Set and forget

Be it shopping for groceries or paying rent, automate it so that you do not have to bother about it. There is a lot of software available that you can use to automate purchases.

All you have to do is repeat the order. You can easily do this with websites that allow for automatic delivery or with sites that will save your previous orders or allow you to mark certain items as favorites. You do not need to worry about having to run out and having to make an extra trip to the store. You can focus on other things such as your work, but make sure you keep checking it from time to time to ensure that it is going smoothly.

Combine accounts

Try to combine your accounts so that everything can be in one place. Right from your different savings accounts to debit accounts, combine them and add them to just one place so that it is easier to access all the information.

All you need to do is find the account and you will have access to the information. It helps to unite your loan accounts and move them to a place where the rate of interest is low.

That way, not only will you be able to repay it faster but also get good interest rates. You can find it online just by typing in your information and take a printout of the statements if required.

It will also be easier for you to remember the passwords, as it will be uniform. Try to consolidate your credit cards as well. Hold on to just one or two that come with a good rewards system.

Try to hold on to the one that has the oldest credit history attached to it. Close out all the other cards, especially the ones that might be charging you an annual membership fee that might be wasted.

Budget software

Even if you have limited accounts to take care of including a savings account, a checking account, a student loan account, and a mortgage account, you have to manage everything so that your money is utilized correctly. Using software can help you take care of all of it.

There can be many apps to choose from that will help you come up with a budget. Update the information from time to time to ensure

that everything is conclusive and easy to access.

Minimalism And Saving Money

Minimalism will help you save money because you won't be buying new things all of the time. If you look closely, it can help you save money on a day-to-day basis.

There are some things that you can do to save hundreds of dollars a year. Let us look at some of those things:

Decluttering your home

One of the best ways to declutter your home is by controlling what comes in. Control the amount of stuff that comes into your house by recycling old stuff or disposing of it to buy new things.

If you continue buying things impulsively then it will defeat the purpose of going minimalistic. Stop and think about the things you plan on buying.

Do not become impulsive and go after everything you like. Never settle for things that are on sale as they might be useless to you.

Sell any extra things you have so that you can raise money for a few things that truly matter to you. If you hold on to the old things and get new things then you will increase the amount of clutter in your house.

You will be surprised at what some of your things can fetch you. What you consider to be junk might end up being someone else's treasure, but don't make the mistake of wanting it back thinking it is valuable. It might not be of any use to you.

Apart from decluttering your house, you must also become more organized in your daily life. Right from setting a time to do your dishes to doing laundry and other house chores, being organized and on time is a part of a minimalist lifestyle.

Having the house in order can help you do things faster and sort everything out easily. Teach your children the same and how important it is to organize things so that everything you have can be put to maximum use.

Declutter your computer and online habits

If you declutter your computer and online habits then you will not be tempted to buy things unnecessarily by getting carried away seeing online ads. Start by decluttering your RSS feed and only keep the ones that are important or add value.

Declutter your bookmarks too by going through them and organizing them. Keep only the ones that are important. Remove bookmarks of shopping sites that might tempt you to buy unnecessarily. You can do away with all bookmarks by downloading the pages you wish to read later.

Shut off instant messengers so that you are not disturbed. Set dedicated times for work and leisure. The two must not interfere.

Go through your entire computer and remove things that are rarely used. Right from ad-aware to spyware to apps to games to videos and movies, remove things that are useless.

Clean your desktop and remove unnecessary files that might be cluttering the screen. Add all the information into one file or two.

Decluttering your life

It is really important to declutter your life and get rid of things that are unnecessary. Right from television shows to even certain unhealthy foods that you eat, stop doing things that are not adding value to your life.

Stream videos so that you can avoid seeing commercials of products that are being sold to you despite you not having any real use for them. Cancel subscriptions and read content online.

Carry a pen and paper with you so that you can write down things that come to your mind and declutter your head.

Remember that time is a very important resource and you have to make the most of it. Think for the future and analyze what will be the effect of an action you take today.

Declutter your space keeping in mind how your children will be benefitting from it. Develop the habit of saying no to things. If you keep saying yes, then you will end up doing more for others and less for yourself.

It can also lead to unnecessary stress and unhappiness. Think of things before saying yes to something.

It is different being kind and helpful to others but not at the cost of your own time and happiness. You might end up spending all your energy on things that might not be so important.

Do not refrain from asking help from friends and family members. You can also ask co-workers to help you out.

Use their advice to check if you can be a bit more clutter-free. Make time to assess things that surround you.

Living a clutter-free life can help you value the things you have and not feel the urge to go after things that are unnecessary. You will also find that you are becoming more productive and can do more in less time.

How ads affect us and make us want to buy

Most people do not have to put in any extra effort to find ads that are trying to sell them things that are totally unnecessary. They are readily available and can be found just about everywhere.

Right from social media to television to radio, these ads are made to appeal to people and get them to buy things they might not need at all.

The marketing department works hard at formulating ads that are creative and appealing and can make even the strongest of minds curious. Although some consumers might find the ads helpful as they can find the right products, a majority of people end up settling for unnecessary products.

These companies mainly aim at the youth who can be easily influenced to buy things. As long as something is advertised to be cool or trendy, they will be willing to buy it.

Just by limiting consumption of TV shows, radio and social media can help people lower the effects of advertisements.

Brand awareness

As you know, advertisements are meant to make people more aware of a particular brand. Most of these ads will be in the form of social

media ads and television ads. Every other website will bombard you with ads that are specifically aimed at you based on your likes and preferences.

They will have access to pretty much all the information they need about you thus sending across tailor-made ads. These specific ads will appeal to you better than generic ads. Most of the websites will spy on your online activities to keep track of the things that interest you and then send specific ads your way.

As per experts, brand awareness has an effect on consumers. The ad's job is to allow people to know that their product or service is easily available to them.

People who see the ads will find out about the products and services that are being sold to them. They might be exposed to brands that they are already aware of or new ones that have just emerged.

These ads aim at providing information that is essential to start buying the products. They will list the product's details such as the features and other details that will make customers want to buy things.

For the ad to be effective, the companies tap into people's curiosity and make the audience want to use the product just to know what it feels like to have it.

Once the person becomes aware of the features of the product, he becomes interested in buying it. It gives the consumers an idea of what the product will be like to use.

Visual ads always have more of an impact on consumers. Demonstrating the features of the product will give it more value.

The customer will be interested in knowing how the product can be operated. This will make people want to buy it even if they do not really see any practical benefits.

They will assume they need it because it is multifunctional and can be used to replace many other things, but in reality, they will end up holding on to all the other things and also introduce the new product.

Competition is quite rife these days and companies go all out to appeal to their audiences. They will try to evoke an emotional response so that people buy things by giving into their emotions.

Customers watch the ads and relate to the people being showcased. This more than often leads to impulsive buying.

People will not be in need of the products being showcased and only want it based on their assumption that it will be useful to them. Even if people do not feel like buying something, they will still be bombarded with the same ads.

These ads can show up on TV and social media. They will track all your moves right from the kind of websites you visit to the music you listen to.

They will also keep an eye on your statuses and any announcements you make and start bombarding you with ads that are relevant. For example, if you announce that you have just had a baby then you will start seeing ads on diapers and baby products.

They will be repeated many times until you feel like you simply have to buy the products. Thus, the best way to avoid temptations is by avoiding engaging in activities that can expose you to the ads or upgrading to the pro version of services that you use so that ads can be eliminated.

Chapter Seven: Setting Goals and Tying it all Together

Importance Of Setting Goals And How To Go About Properly Doing It

When it comes to setting goals, you have to write it down in a way that makes you take action instead of simply having a vague idea about it in your head. You have to have proper direction.

The key is to set simple goals all through the year and work towards fulfilling them. This will keep you motivated and have a fresh approach towards life in general. A minimalist aims to simplify life and go after things that are simplistic.

Here are some things to bear in mind if you wish to set goals as a minimalist:

Giving time

It is important to give yourself enough time to adopt the minimalist lifestyle and not rush about it. Be patient and allow yourself time to accomplish all your goals.

It will take some time for you to adjust to the new lifestyle choices. Give yourself at least a month to be fully prepared to adapt to the new changes that can come your way.

Decide on a room and work on decluttering it the entire week before moving to the next room and so on. This will control your stress to a large extent.

You have to get all your family members involved so that the work can be divided equally. It can be quite exciting to see a lot of the junk and garbage going out of the house and the house becoming cleaner and neater.

Decluttering can take at least three to six months if you have too much to get rid of. Assign one room to your family members and take turns to remove the clutter from that room.

Maintain a journal to write down about the process and your journey. This can serve as a guide to refer to in the future.

Throw a party by inviting all your friends and family to celebrate your victory over clutter. It will help you remain on track.

Set appropriate goals that are complementary to your lifestyle

One mistake to avoid when it comes to setting goals is following someone else's footsteps. This might not work well for you, as you will end up complicating things for yourself.

Your goals should be unique to you and based on your individual needs. If you go for things that are right for others then it will not serve you any purpose.

There will be certain things in the house that will be a guilty pleasure and you cannot do without them. If you end up giving it away then it might negatively impact your mindset.

For example, if you own a set of makeup brushes that are too many in number and cannot be replaced by just a pair of brushes, then hang on to them. If you replace them with just two brushes only to later realize you do need more than two brushes, then you will be unhappy about it.

Thus, if you love something then do not dispose of it just because you are trying to be a minimalist. The main motive is to get rid of things that are of no use anymore or do not serve you any purpose.

You might be holding on to such things by attaching emotional value to it but it will be best to get rid of, as it is useless and gathering dust on a shelf.

Action Plan

Now that you have read the book, it is time to take the right steps towards becoming a minimalist. Here is a step-by-step overview of what you can do immediately after reading this book to take action and start improving your finances.

For this, you must follow some steps that will guide you in the right direction. Finance can be a complicated thing.

It is not easy to manage your financial assets without a plan of action. You will end up becoming too overwhelmed and intimidated, but with

a little effort in the right direction, you can easily manage your finances and simplify your money.

You can put an end to your headaches by following minimalism. A minimalist is someone who manages to live with the bare minimum.

With a little effort, you too can become one. The main idea is to put an end to all your worries and stress just by focusing on the important bits. Here are some ways in which you can simplify your finances and in turn your life.

Step one: Opting out of consumerism

The very first thing that you must do is opt out of consumerism. As mentioned in the book, companies will try their best to sell you things you might have no use for.

They will advertise their products in a way that appeals to their audience. If you end up having a consumerist mindset then you will suffer.

You must, therefore, develop a frugal mindset and try to avoid engaging in viewing ads that will try to sell you unnecessary stuff. This can be easier said than done, as most people will have the habit of wanting what they see.

They will engage in shopping as a means to beat their stress or derive pleasure. This can lead to impulsive buying or a means to instill self-worth.

Most of this stems from watching too many ads that are aimed at changing people's minds into buying stuff. You will stop looking at shopping as a reward and turn it into a daily activity.

If you find yourself having an urge to buy something then stop yourself and draw in deep breaths. This will help you shift your focus.

Now make it a point to not look at the item for the next month and you will notice that your urge to buy it has disappeared. This practice can help you control your impulsiveness.

You can also ask yourself some questions such as "Is this stuff really necessary? Will it make a difference in my life?" You will feel happy knowing that you are able to control your urges and not have to go back to spending on things that are unnecessary.

Step two: Saving

You must take saving money seriously if you plan to save for the future. It is essential to focus on setting up a fund such a savings account and an emergency fund that can be used in the future.

If you do not do so then you might end up living paycheck to paycheck. If something unexpected comes along then you might end up borrowing money and pay up a hefty interest.

It would instead be ideal to put money into savings so that you have a buffer to turn to. There is no limit to how much you can save and you are free to add in any amount that you wish.

Say for example; add \$50 or \$100 per month to the fund.

You can do so by looking for any unnecessary expenses that you engage in on a monthly basis. Check if there are any expenses that are being made unnecessarily and cut them out.

Direct the money towards the fund. Here are some things that might be eating into your expenses

- Magazine/ newspaper subscriptions
- Monthly payments for cable and pay per view
- Buying books online instead of visiting the library
- Using a car that is too big and unnecessary
- Going out for breakfast and coffee every day
- Owning a big house
- Hoarding stuff that is unnecessary and creating clutter
- Owning too many clothes and shoes and other accessories
- Electronics such as old computers, laptops, televisions and other things that are hardly used
- Going out to many times every month to restaurants, movies, clubs etc. instead host parties at home, which can turn out to be cheaper.

If you manage to cut down on these things and host garage sales then you will be able to save quite a bit of money. This money can be directed toward the emergency fund.

You might be able to raise quite a lot of money by doing so. You must consciously declutter your space right from your house to your office to your garden etc.

This will help you know if what you have is important or can be sold. Get your family involved and ask them to declutter their rooms.

Work together in common rooms such as the living room and kitchen. Sort the things into three boxes and label them as keep, sell and donate. Try to keep as few of things as you possibly can.

Once sorted, place the keep items back neatly such that it is easy to find them. Taking inventory can help you in this regard as well.

Step three: Make an effort to get out of debt

It is never cool to have excessive debt as it can eat away into your earnings. The interest will accrue over time.

For this, it is best to follow either the snowball or the avalanche method as talked about earlier to pay off debt. We looked at both in detail and their individual pros and cons. The one that's best for you will of course depend on your unique situation.

You can put an end to your headaches by following any of the two methods, but remember not to compromise on your life and end up diverting all your money towards repaying debt.

You might miss out on some of the pleasures of life. The next few steps to take will be to consolidate all your debt accounts and your savings accounts so that you can unify them to make management easier.

Step four: Budget

Sit down with your spouse and come up with a budget that will help you remain on track in terms of attaining financial goals. You have to be on the same page so that you can avoid discrepancies. You can go through the book again to know the things you can do to bring your finances together and set a budget together.

Step five: Teach your children

Teach your children the importance of money management right from a young age. Give them some pocket money that they earn and get them time to prepare a budget. Following it will teach them the importance of using money the right way.

Step six: Celebrate being a minimalist

Celebrate being a minimalist. It might seem overwhelming at first but it will get easier as you go. Talk about being a minimalist with family and friends and tell them how your life has changed for the better. Blog about it or maintain a journal so that you can look back at your journey and take inspiration from it. Inspire others around you to be minimalists too so that they too can lead a better life.

Conclusion

I thank you once again for choosing this book and hope you had a good time reading it. The main aim of writing this book was to educate you on the basics of minimalism and how it can change your life and your finances.

Minimalism is a simple concept to understand, but it can take some time to adapt to. If you wish to understand it better, then do not limit yourself to the information mentioned in this book and turn to other resources to gather more information.

You can also go through this book once more to foster the belief that you too can be a minimalist and lead a simpler, happier life. If you found the book informative, kindly suggest your friends and family members to consider a minimalist approach towards life.

Thanks once again and I hope you find success in becoming a minimalist.

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